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**OFFICE OF THE
PRINCIPAL ACCOUNTANT GENERAL (AUDIT)
KERALA,
THIRUVANANTHAPURAM**

**MANUAL OF
PUBLIC WORKS INSPECTION
(Second Edition – 2006)**

*Issued by
The Principal Accountant General (Audit) Kerala
Thiruvananthapuram*

(Draft)

Preface

This is the Second Edition of the Manual of Public Works Inspection compiled after the formation of the Office of the Principal Accountant General (Audit) Kerala under the Provisions of Paragraph 54 of the Manual of Standing Orders (Administration) of the Comptroller and Auditor General of India.

This Manual deals the procedure to be followed by the IAU (Works) Section and Public Works Inspection Parties in conducting inspection of Public Works Offices. The instructions in this Manual are supplementary to those contained in the Codes and Manuals issued by the Comptroller and Auditor General of India.

Works Audit (Hqrs) Section will be responsible for keeping this Manual up-to-date, incorporating all relevant orders. Any errors or omissions noticed in this Manual and suggestions for its improvement may be brought to the notice of the Principal Accountant General (Audit) through Deputy Accountant General (Works).

Thiruvananthapuram
April 2006

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Prologue

An organization is defined as a group of people working with a common objective with distinct duties and responsibilities. For the successful functioning of any organization, all its members should be well aware of the objectives and also the duties and responsibilities they are supposed to share. This Manual has been attempted with this aim.

Knowledge is of two kinds - knowing a subject ourselves or knowing where we can find information upon it. This Manual approaches the subject in both ways. While giving essential information on a topic leads for more information have been indicated wherever required.

Apart from incorporating changes in regulations and procedures ordered since the last edition, which have a bearing on Public Works Inspection, attempts have been made to include the new trends in Audit to cop up with the new challenges. The changing face of Audit has been brought out in this Manual by the introduction of new subjects - Internal Audit Standards, Code of Ethics, checking of Internal Control Systems, measures to deal with fraud and corruption, audit of BOT Schemes, audit of Environmental aspect of schemes, Style Guide for drafting of Reports, Statistical Sampling etc.

We are opening a window to the vast blue sky filled with thousands of bright stars. We hope that a serious reader can definitely catch hold of some of them.

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Chapter 1

General

1.01 Introduction

The inspection and test audit of the accounts of each Public Works Office should be conducted in accordance with the instructions contained in Paras 23, 24 and 28 to 53 of the Secret Memorandum of Instructions, Section VI of the Manual of Standing Orders (Audit) and the general instructions contained in Chapter 3, 4 and 5 of the Manual of Outside Audit Department. The instructions contained in this Manual are supplementary to these.

1.2 Objectives of Inspection

(a) As laid down in Paragraphs 6.1.2 to 6.1.4 of MSO (Audit), the primary objectives and scope of the inspection of Public Works offices are:

(i) to see that the initial accounts from which the accounts rendered by departmental officers are compiled, or on which they are based, are properly maintained in the prescribed format and that financial rules and orders are being adhered to;

(ii) to test the degree of care exercised over the accuracy of original records by the departmental authorities responsible for maintaining accounts.

This will involve, inter alia, scrutiny of instances of non-adherence to or failure to ensure adherence to the codal provisions and internal control procedures and principles, non-maintenance of basic and control registers, etc. resulting in fraudulent drawal of pay and allowances and contingent bills. Simultaneously, a test check may be applied to such accounts, vouchers etc. as are not audited in Central Audit or as cannot be checked adequately except in local audit.

(iii) To ensure that the Divisional Accountant attached to the Division discharges his duties efficiently.

(b) To achieve the above objectives, the P.W. Inspection Party is required

(i) to test audit the accounts of the month(s) selected by the Group Officer and completely analyse and examine the accounts of the selected works since commencement whether completed or in progress;

- (ii) to conduct general examination of the initial accounts of cash and stock, the measurement books, muster rolls and detailed accounts of works for the entire period covered by the inspection;
- (iii) to review the procedure observed by the Divisional Accountant in discharging the duties entrusted to him in connection with his (1) audit functions and (2) the periodical inspections by him of the accounts of sub Divisional offices on the spot;
- (iv) to pay special attention to any arrears or defects noticed in the accounts of the Division and to devise remedies to be applied, in consultation with the Divisional Officer and the Divisional Accountant;
- (v) to see that irregularities brought to notice at the previous inspection as well as those noticed by the Superintending Engineer or the Divisional Officer at their respective inspections of the Divisional Offices have been remedied and that the correct procedure is being observed in respect of all matters, the procedure relating to which was considered defective previously;
- (vi) to investigate all points noticed in Central Audit from time to time since the previous inspection as requiring special attention on the spot (Paragraph 30 (iv) of the Secret Memorandum of Instructions).
- (vii) to advise the Divisional Officer and the Divisional Accountant in matters concerning accounts, budget etc. or the financial regularity of transactions;
- (viii) to offer suggestions which have a bearing on the economy of public money particularly in all cases of avoidable clerical work in connection with accounts and audit; and
- (x) to draw up the Inspection Report and Test Audit Notes embodying the results of the Inspection in accordance with the instructions contained in Paragraphs 6.2.6 & 6.2.7 of the M.S.O.(Audit) and to submit them to the Group Officer.

1.03 Preparation of Audit Plan by Inspection Party

For conducting public works inspection a detailed audit plan relevant to the Division to be inspected should be prepared taking in to account the works to be analysed, systems to be reviewed, in depth studies to be

undertaken etc. Preparation of such an audit plan is essential for purposeful audit and efficient results. Check of certain account records, such as outstanding revenues, suspense balances, miscellaneous advances, deposits etc. need not be conducted every year but may be done in a cycle of two or three years. When this review is taken up, it should be in sufficient depth and detail. The Inspecting Officer should decide the areas to be probed on the basis of the contents of the previous Inspection Reports and details of remittances/suspense/deposit balances (which can be collected from the monthly accounts available in the Divisions). The check of records such as Miscellaneous Works Advance, Cash Settlement Suspense Account, Items adjustable by PWD, Public Works Deposit, outstanding revenues etc. should be conducted as per the detailed instructions contained elsewhere in the Manual. The fact of review having been done in respect of these records should be mentioned in the Title Sheet. The results of the review should be incorporated in the Inspection Report.

(O.O. No.WM/II/1-3/13 dated 08.12.82 and CAG,s Gl. Cir No.66:TA II/1982/7-982/1063-TA II/222-82/07.09.82)

1.04 Report of commencement of Audit to Headquarters Section

All Inspecting Officers/Field parties are required to fax a report of commencement of Audit on the first day of audit itself indicating that the audit of the unit had been taken up as per approved programme, inter alia, intimating the name of the Head of auditee unit, their telephone number, telephone number at which the party can be contacted in case of urgency for any official or domestic need and that all members of the audit party had reported.

The Headquarters Section concerned should also strictly watch the receipt of the Report through Performance Register of field parties.

(Circular No.PAG(Au)/Sectt./Br.Tcr.381 dated 13.01.2005)

In case there are no fax facilities available at the office of duty, the Report may be sent to Headquarters Section by post.

(Note No.PAG(Au)/Sectt/Br.Tcr.409 dated 31.03.2005)

1.05 Conducting of Entry Meeting and Exit Meeting and obtaining Assurance Memo

(1) On the first day of audit itself the party members should have an “Entry Meeting” with the Head of Office and inform the audit plan and requirements of documents and records and request the Head of Office and other officers and staff to be available in the office throughout the period of audit. Minutes of this meeting should be documented and should form part of Inspection Report.

(2) As each Audit Report should accompany an assurance memo, materials therefor should be generated at the grass root level of Inspection Report. Therefore the Inspection Party should invariably discuss the draft Inspection Report with the head of office or in his absence with the person in charge and the fact of the discussion should be recorded in the Inspection Report under the dated signature of the person with whom discussed. It should be recorded in the Inspection Report by the Inspecting Officer that all observations pointing out lapses in the implementation of system and procedure and all weaknesses in responsibility centres have been discussed with the head of office and assurance obtained in writing in regard to corrective measures for arresting potential risks. If they are unable to give such an assurance, the minutes of the meeting should be drawn up to that effect and attached with Inspection Reports.

(Circular No.PAG(Au)/Secy/IR-Review dated 15.03.2004)

1.06 Disclaimer Statement for Inspection Reports and Test Audit Notes

All letters forwarding the Inspection Reports, Special Audit Reports, Report of Certification of Accounts and Test Audit Notes should contain the following disclaimer statement:

“In future all Inspection Reports may be issued with the following disclaimer statement. The Inspection Report has been prepared on the basis of information furnished and made available by..... (Name of auditee entity). The office of the Accountant General (Name) disclaims any responsibility for any misinformation and/or non-information on the part of auditee”.

(CAG's letter No.629-LC/III-2005 dated 07.10.2005 and Note No.Au/Admn.I/RTI Act/285 dated 25.10.2005 and Note No.Au/Admn.I/RTI Act/393 dated 14.02.2006)

1.07 Test Audit of the accounts of the selected month(s)

The test audit involves the following.

(i) Audit in detail of all vouchers not submitted to Audit in support of unvouched cash and transfer entry charges shown in the schedule dockets received from the audit office. It should be seen that: -

- (1) there is on record a voucher correct in all respects, in support of each item of expenditure for which a voucher is not required to be submitted to the Audit Office (vide Article 232 of the Account Code Vol-III) and which appears in the various Cash Books and the Transfer Entry Book.
- (2) the charge is in order,
- (3) it is traceable into the Schedule Docket concerned, and
- (4) in the Schedule Dockets, there are no items treated as unvouched charges which should not have been so classed.

(ii) Examination of the audited vouchers of the selected month with the original record in the Divisional Office. It should be seen that: -

- (1) the quantities for which payments have been made are traceable with the supporting details, in the records of measurement quoted in the vouchers.
- (2) in each case, the record of measurement itself is in order,
- (3) the rates at which payments were made for the several items of works or supply as shown in a voucher are in accordance with the terms and conditions of the relevant agreement, indent or order, etc. and
- (4) those terms and conditions had been duly sanctioned by competent authority before the liability was incurred, and are not open to any objection from audit point of view.

(iii) Verification of the foils of paid cheques brought from Audit office with counterfoils, cash book and vouchers to see that the payments have actually been made to persons entitled to receive them, that the cheques have been drawn in favour of actual payees and that endorsement and

acknowledgements of the payees on cheques do not give rise to any suspicion of fraudulent payments.

(iv) Examination whether the charges against or credits to stock account or work accounts are shown correctly under the appropriate sub head or suspense account and in the contractor's ledger or the materials account, if the vouchers and transfer entries affect the accounts of stock and work.

(v) All transfer entries involving the rectification of error should be examined with reference to the records leading to original wrong adjustments and it should be seen: -

- (1) that the rectification was necessary and in order
- (2) that the original error does not disclose a defect in the system of accounting or indicate any financial irregularities.

(vi) Examination of stock accounts of the selected month(s) to see that: -

- (1) they are maintained in accordance with rules and are kept up to date.
- (2) the quantities of both receipts and issues are correctly taken in to account
- (3) both receipt and issues have been valued correctly, and
- (4) issues to works have been classified under appropriate sub heads or suspense accounts and carried to the ledger or material account concerned, and

(vii) Check of works Abstracts of the month(s) selected and agreeing the total charges on each work with the total of the relevant schedule docket and examination of the Register of Works to see that the Works Abstracts have been posted correctly in it and all entries in the Register of Works were reviewed by the Divisional Officer.

Note : For detailed instructions for conducting the above test audit, Paras 33 to 38 of the Secret Memorandum of Instructions may be referred to. Detailed instructions laid down in connection with the general examination of accounts should also be borne in mind in conducting the test audit of the accounts of the selected month(s). In

the exercise of the checks mentioned above, the accounts of selected month(s) subject to relaxed audit in central office should be examined in respect of points which are not checked in the course of relaxed audit.

- (viii) Check specifically whether all the survey reports and sub accounts were sent along with the monthly accounts.

*(CAG's letter No.1119-T.Admn II/66-67 dated 06.07.1970 – File WM II/15-386)
Note: The term "relaxed audit" indicates reduced quantum of Central Audit.*

1.08 Complete examination of the selected works

The accounts of the selected major work or two minor works should be examined in detail with reference to the orders contained in paragraphs 44 and 45 of the Secret Memorandum of Instructions. All transactions recorded in the work abstract should be analysed and computed with the details of the sanctioned estimates and with contracts agreements, measurement books, stock account and other relevant documents. In particular the following points may be verified.

- (i) The accounts exhibit accurately the actual cost of work done relating to the particular object for which the particular estimate was sanctioned. The information gathered during survey/investigation has been properly applied in the preparation of the estimate; the estimate has been prepared to satisfy the requirements of the work. The estimate of the work concerned should be studied together with the relevant correspondence to see that estimate has been sanctioned by the competent authority and that tenders have been invited, work allotted and agreement executed before commencement of work. All charges should carefully be examined to see whether any of these does not fall beyond the scope of sanction. Quantities should be computed with the quantities of work actually done with a view to verifying that savings due to abandonment or otherwise have not been utilized for additional work or that there have been no material alterations or modification in the sanctioned design without the sanction of competent authority.
- (ii) All recoverable charges have been made good to Government by an equivalent cash recovery or short payment of dues.

- (iii) All payments, supplies of materials, etc. should be made strictly in accordance with the contract agreement indicating no laxity in any of the terms. The rates provided in these contracts should be specially scrutinized with reference to the sanctioned estimate and schedule of rates to see that they do not allow any concessions detrimental to the financial interest of Government.
- (iv) The contractors and others on whose behalf the recoverable charges are incurred do not get the benefit of any concessions to which they would not have been entitled if they had themselves incurred the charges.
- (v) The provisions of Chapter 10.3 of the Kerala Public Works Account Code laying down rules for the issue of materials direct to works and to contractors are not infringed. Quantities of the materials required for the work actually done should be worked out on the basis of the analysis given in the estimate or other established formula and compared with the actual issues both in the case of direct issue to works or to contractors to investigate the difference, if substantial, and
- (vi) Generally there have been no irregularities in the upkeep of the accounts including initial records relating to them.
- (vii) The various documents/records to be scrutinized in general in analyzing a work and the details/documents to be enclosed in case of any irregularity to be included in the Inspection Report are listed in the annexure to this chapter.

Note: An in-depth investigation of the specific points included in the profile of the work(s) selected for detailed analysis (vide para 2.06 of this Manual) should be conducted by the party.

ANNEXURE

List of documents/records of a work to be scrutinized

(Vide Para 1.08(vii))

- 1 Copies of GOs for Administrative sanction.
- 2 Report to accompany Estimate/Revised Estimate.
- 3 Abstract of Estimate/Revised Estimate.
- 4 Proceedings sanctioning the Estimate/Revised Estimate.
- 5 Date of sanctioning Estimate/Revised Estimate.
- 6 Date of invitation to tender/Last date for receipt of tender.
- 7 Number of tenders received/Lowest tender/original.
- 8 Date of agreement, authority executed and its reference.
- 9 Copy of agreement where necessary/special conditions.
- 10 E.M.D./S.D. collected and their form.
- 11 Contracts—Lumpsum or percentage rate.
- 12 Review of contract/target date for the scheme as a whole.
- 13 Date of handing over site.
- 14 Dates of commencement/completion of the several components of the work/split up parts etc.
- 15 Date of supplemental agreement/copy thereof.
- 16 Date of execution of supplemental items of work.
- 17 Where the objections relate to rates, extract of departmental data for the items
- 18 Reference to letters in which L.A. proposals were sent.
- 19 Date of entering into land
- 20 Area of land acquired/Dry or wet.
- 21 Amount of compensation paid and month of account in which paid
- 22 Whether awards have been passed and advance payments adjusted
- 23 Date of termination of contract
- 24 Date of last measurement of the terminated work
- 25 Date of tender/agreement for the balance work
- 26 Extra cost involved—copy of agreement
- 27 Date of commencement/completion of balance work
- 28 Sub head wise expenditure details of the work
- 29 Analysis of reasons for excess over estimates/revised estimate.
- 30 Ayacut developed/under developed
- 31 Betterment levy/increased water cess.

- 32 Cost per ton of food production
- 33 In the case of E.M.D./S.D. forfeited, reference to adjustment in the accounts, T.E. No. etc.
- 34 In the case of stores purchased whether they have been consumed on the work, extract of comparative statement of quotation, purchase orders, tender notice; dates of requisition, payment etc. full and detailed specification of stores.
- 35 Where the objection relates to particular items of work, the dates of execution of these items with value, quantity etc.
- 36 Length of approach roads formed with dates.
- 37 Extract of Log books where necessary
- 38 Extract from the progress report of the work
- 39 Details of value and quantity of materials outstanding to M.A.S. Accounts.
- 40 Provisions in the Budget for the work in question.
- 41 Extract of final bill/last bill paid.
- 42 Whether the objective of the scheme has been realized, if not why not.
- 43 In the case of channels, length of channels, ayacut at various points and dates of execution of various lengths, dates of completion of Head works and channels and reasons for the delay.
- 44 Whether there has been any change in design during execution of the work.
- 45 Rainfall statistics for the past 7 years.
- 46 Storage particulars for the past 7 years.
- 47 Dry or wet lands, Irrigation season and date of setting out water in the channels.
- 48 When the works are handed over to the Panchayat Unions or other bodies, dates of such handing over.
- 49 In respect of completed works, maintenance expenditure annually for following years.
- 50 In respect of all schemes, date of bringing into beneficial use/delay.
- 51 Nature and period of occurrence of damages, rectification of repairs, damages, full details of estimate, tender agreement, dates of execution, final cost etc.
- 52 Extracts/copies of all relevant and important correspondence, documents etc.

(CASS(W) Circular No.3 dated 04.12.1985)

CHAPTER 2
INTEGRATED AUDIT UNIT (WORKS) SECTION
DUTIES AND RESPONSIBILITIES

2.01 Periodicity and Duration of Inspection

The norms of fixing the party days required for each institution are given in Annexure I to this Chapter.

- (i) Inspection of Survey and Investigation as well as wholly maintenance Division need be done biennially. Other Divisions, Chief Engineer Offices, Superintending Engineer Offices and Estate Offices will be audited annually. In case of Maintenance cum Construction Divisions, the norms prescribed for Construction Divisions will apply.

*(HQrs Lr. No.729/TA II/75-74/3-5-71; No.974/TA.II/75-74/4-6-75 and
No.1063/TA.II/222-82/7-9-82)*

- (ii) Duration of inspection of individual Division should be fixed taking into account the volume of expenditure, works selected for detailed analysis, areas selected for indepth analysis, significant points arising from central audit and results of past inspections limiting the total period within the overall strength of parties sanctioned by Headquarters, on prescribed norms.
- (iii) As per instructions contained in Monthly D.O. letter No.1127-Rep(S)/35-2002 dated 04.10.2002 of Headquarters Office, a new proforma has been introduced for Audit Plan from 2003-04 onwards. According to this, the units are to be classified as category A, B & C on the basis of annual expenditure (excluding establishment expenditure). The constitution of field parties will also vary with respect to these categories of units. Details of the new A, B, C categorization of units and parties are given in Annexure II to this Chapter.

(Note No.AG(Au)Sectt/Br.T No.301 dated 22.10.2002)

2.02 Forecast and Biennial Audit Plan

- (1) IAU (Works) Section should prepare a Biennial Audit Plan covering a period of two years and comprising a detailed plan for the first of the two years and a broad frame work for the second year. The aims and objectives of

this biennial audit plan have been detailed in section VI Paras 6.1.9 and 6.1.10 of MSO (Audit). The detailed plan for the first year will serve as the annual forecast of local inspection for the year.

(2) For preparing the forecast, the details of expenditure incurred by each PW Division should be called for from the A&E Office for fixing the party days. The programme so drawn up should then be communicated to the Finance Department of the State Government and to the Ministry of Finance of the Government of India with a copy to the Administrative Department/Ministry concerned so as to reach them by the 15th January with a request to suggest if they want any other office to be included for any special reason in the list for that year. The department of Ministry concerned should be given at least a month's time to make its suggestions. In finalizing the list due consideration is to be given to the suggestion made by them. If the suggestions cannot be implemented within the resources at our disposal, it may be necessary to postpone the inspection of some other comparatively less important office to a subsequent year. The forecast of inspection for the coming year i.e. the final list of inspection taking into consideration the suggestion of the Government, should then be prepared and put up to the Accountant general (Audit) for approval by the end of the first week of March. Copies of the finalized list should also be sent to the government concerned to the Administrative Department/Ministry and in the finance department/Ministry to reach them by the 15th of March.

(CAG's DO No.2675-Admn.I/702-55 dated 31.12.55 and Lr. No.571-Admn.I/158-57 11 dated 14.05.58 Case OA.I/6-9/670-61)

2.03 Programme of Inspection

IAU (Works) should draw up quarterly programme for inspection of the P.W. Parties and that of supervision of Inspecting Officers for approval of Group Officer.

A quarterly programme of each Public Works Inspection Party should be drawn up not later than the 15th of the first month of the previous quarter on the basis of the list of institutions approved by the Accountant General. The programme should show the offices to be inspected by each party and the dates of commencement and termination of each inspection. The programme

should also provide for periods of transit from one station to another wherever necessary.

The following registers should be maintained in IAU(Works) in connection with the work relating to drawing up of programmes for Public Works Inspection.

- 1 **Register of Local Inspection:** For the purpose of drawing up the inspection programme, a register should be maintained in Form I appended to this Chapter. The columns in the register should be filled in regularly as the inspection is conducted. Thus the register should contain a standing list of institutions under local audit for guidance of the section in the preparation of the programme.
- 2 **Check Register of Weekly Diaries:** A check register of weekly diaries of the personnel deputed for inspection should be maintained in form Sy.325 and the columns filled up with reference to the diaries forwarded by the inspection parties in form Sy.324.
- 3 **Check Register of T.A. Bills:** This register should be maintained in Form II. Appended to this Chapter. The register is intended to record the receipt of TA bills of the Inspection Parties. The TA bills of the members of the Inspection parties are to be verified by IAU(Works) with reference to the programme of the party, weekly diaries etc.
- 4 **Register of deviation in the Inspection Programme:** This register should be maintained in Form III appended to this Chapter.

(O.O. WM.II/1-3/13 dated 08.12.1982)

2.04 Notice of Inspection

(1) IAU(Works) should take advance action for obtaining the orders of the Group Officer in regard to.

- (a) The month(s) whose accounts are proposed to be test audited.
- (b) The works, whose accounts are to be examined in detail; and
- (c) The name of the Sub Division whose accounts are to be test audited.

A clear advance notice of two to three months should be given to Division to be inspected, so that the Division could produce all the required records in a complete shape. The intimation should spell out clearly the records, general and special, that would be required.

*(HQrs. Gen Cir. No.66 TA/1/82/1063-TA II/222-82/7-9-82)CASS(W)
File 15-534/82-83)*

(2) It would be much preferable if a standard questionnaire is drawn for each type of auditee formations and the same is issued to them at least two weeks ahead of commencement of audit with a request to keep the information ready to be handed over to the Audit Party on the day of commencement of audit. It would result in availability of more time to audit parties with relevant details for examination of various records.

The Group Officers may draw up a standard questionnaire and the controlling sections should send it along with the intimation of audit at least two weeks before commencement of audit.

(Note No. PAG(Au)/Sectt./Br.37 dated 13.1.2005)

The intimation and questionnaire drawn up for Works Audit Group are given in Annexure III to this Chapter.

2.05 Selection of months/works for detailed check

As soon as the programme of local audit institutions for a particular period is finalized by IAU(Works), the Branch Officer should make advance selection of the month for detailed check in respect of each institution and mark the month against each in programme itself. IAU (Works) should note the month(s) selected for detailed check in the Selection Register and obtain orders of the Group Officer in approval of the selection of month(s) along with the orders for selection of works for detailed analysis. One or two Sub Divisions should be selected for test audit. For this, the names of all the Sub Divisions in the Division and the Sub Divisions test audited during the last three years should be indicated in the Selection Register. Selection of Sub Division(s) should be so made as to complete test audit of all the Sub Divisions in a cycle of four years. As per Para 6.2.3 of M.S.O.(Audit), the inspection and test audit of the records should ordinarily be undertaken at the headquarters of the Divisional Officer. It is, however, open to the Accountant

General to require the accounts records of Sub Divisions or 'Subordinate' Offices to be produced for inspection in the offices concerned or in the Divisional Office itself.

Information regarding selection of month(s) for test audit and of the works for detailed examination should not be disclosed to the office to be inspected.

Note: In the Inspection Reports issued, it will be sufficient to state that test audit was conducted without specifying the month(s) of account or other details of the work test audited. In the office file, however, a note should be kept, as to the months whose account was subjected to detailed audit, so that the information may be available for fixing responsibility for any failure of audit, etc. if that becomes necessary at a later date.

(C&AG's Lr. No.12-Admn.II/1954 dated 6.2.1954)

2.06 Despatch of documents for inspection.

IAU (Works) should arrange to dispatch all the requisite papers (vide paragraph 15.06 of the Manual of Central Audit (Works Audit) to the Inspection Parties.

1) IAU (Works) should collect the vouchers to be forwarded to the field parties by sending formal requisitions to WAC, GE, Gl. Treasury etc. sections; forward them to the parties and return them to the sections concerned after their receipt from the parties after inspection. Paid cheque foils of the Division for the month selected are to be collected from General Treasury Section. For this, IAU(Works) as soon as the programme of a quarter is finalized, will forward a list of Divisions taken up for audit for that quarter indicating the date by which the cheque foils of the selected month are to be received in that section. The local audit parties should after completion of audit return the vouchers to the address of the Assistant Audit Officer/Section Officer of IAU(Works). IAU(Works) should ensure that the vouchers required are collected and sent to the parties with utmost expedition.

In regard to transmission of vouchers to the Public Works Inspection parties, a register should be maintained by IAU(Works) in the form given below. The register is to be closed on 10th of every month with a view to pursuing cases where vouchers are due back from the parties, ensuring that the

vouchers received back are promptly returned to the sections concerned and bringing to the notice of the Branch Officer/Group Officer cases of non-receipt of vouchers for supply to the field parties. The due date is to be entered in the calendar of returns of the section.

Register for watching receipt and transmission of vouchers/documents to local audit parties

Sl. No.	Name of institution selected for local audit	Party No.	Dates of audit	Period covered by audit	Section from which documents are due	Date of requisition of documents	Date of receipt of documents from the section	Date of transmission of documents to the local audit party	Date of receipt back from the party	Date of return to the Section	Remarks
1	2	3	4	5	6	7	8	9	10	11	12

(Co-ordn. Au/12-1A/84-85/561 dated 28.11.84)

2) The documents mentioned in paragraphs 30 and 31 of the Secret Memorandum of Instructions and form SMI 6 as detailed below are to be supplied to the field parties to IAU(Works): -

- (i) Monthly accounts, complete with schedule dockets and vouchers, foils of paid cheques etc. for selected month(s)
- (ii) Abstract of TA bills for the selected month(s)
- (iii) Monthly accounts for September, March and March (Supplementary) for the purpose of the check contemplated in para 45 B and Note below para 47 of Secret Memorandum of Instruments.
- (iv) Special points for investigation noticed in the course of audit.

In addition, a list of measurement books pertaining to the selected work(s), a list of Central audit objections outstanding for over one year, a list of special recoveries of all kinds as noted in Special Recovery Registers kept in IAU(Works) the recovery of which has been unduly delayed and the previous inspection report files and connected papers should be sent.

For the guidance of the inspection party, all available information regarding general state of accounts particulars of defects irregularities noticed

in Central Audit, all essential details of the works selected for detailed analysis etc should be made available to the party.

3. In respect of work(s) selected for detailed analysis, profiles containing details of quantum of expenditure results of scrutiny of contracts, extra items, deleted items variation in contracted quantities, delay in completion of work unadjusted advances, recovery of cost of departmental materials etc. should be made available to the inspection party. The profile should also contain specific indication as to the points which needed investigation by the party.

(O/o No.WM/II/1-3 dated 8.12.1982)

2.07 Anti-Sea Erosion Works

Some points to be seen in local audit of anti-sea erosion works are mentioned below: -

- (i) Laying of roads for carriage of materials at the cost of Government after award of the work to be contractors. It may also be examined as to what use the land acquired for temporary roads built are put to, whether the lands are surrendered back to the Revenue Department etc.
- (ii) Major repairs due to damages to sea walls during or soon after their construction. It may also be ascertained whether satisfactory arrangements exist for recording of stack measurement of stones so as to prevent malpractices.
- (iii) According to departmental instructions, the Chief Technical Examiner has to be informed by the departmental officers of the measurement recorded by them in respect of each stack and the rubbles so measured are to be dumped only after waiting for 72 hours for the staff of the Chief Technical Examiner to verify, the measurement. It may be seen whether the departmental officers are invariably informing the CTE of the measurement in respect of each stack, whether the officers wait for 72 hours for dumping the rubble, whether any discrepancy was noted by the CTE during inspection and what action has been taken based on CTE's findings;

- (iv) What are the instructions issued by the Government/Chief Engineer from time to time regarding designs of Anti-Sea Erosion works and what safeguards against malpractices are expected to be taken; whether the instructions are complied with and whether all the prescribed registers are being maintained.

(Authority: WM Cir: No.45 dated 4-3-1978)

2.08 Inspection of National Highway Divisions

- 1) In respect of National Highway Works, duplicate copies of schedule dockets, schedules of works expenditure and classified abstract of monthly expenditure are retained in this office and the originals are sent to PAO(NH), New Delhi. The certified duplicate copies of the documents referred to above should be kept along with the Divisional accounts relating to each month and as and when the inspection of Division is taken up, those copies of the schedules should be made available to the Inspecting Officers in lieu of the original documents, for verifying the correctness of the duplicate or office copies of vouchers which will be relied upon for the purpose of local audit of the Divisions.
- 2) The selection of months and work for detailed scrutiny during the inspection will be made in the Headquarters Office with reference to the details available in the duplicate copies of the schedule of works expenditure.
- 3) The accounts of the month(s) selected, the copies of schedule dockets, the paid cheque foils and other documents referred to in para 30 of the Secret Memorandum of Instructions for the selected month(s) as well as copies of schedule dockets in respect of National Highways works selected for detailed scrutiny as per para 31 of the SMI may be made available to the Inspecting team in the same manner as is being done for State works.
- 4) The detailed scrutiny in respect of the selected National Highway works is to be conducted with reference to the office copies of the bills in the absence of the original vouchers. Before such detailed scrutiny is conducted with reference to the office copies of the bills etc. their correctness should first be verified by the Inspecting Officer with the certified duplicate copies of the schedule dockets received from the Headquarters Office. The detailed scrutiny may thereafter be conducted with reference to the office copies of bills,

schedule dockets and other account records available in the Public Works Divisions, the relevant transactions being traced with reference to the initial records such as measurement books, cash books, counter foils of receipts and cheque books, bank pass books, etc. with a view to verify the correctness of the bills vis-à-vis the monthly accounts and the primary accounts namely the cash book, the measurement books, etc.

5) The discrepancies, if any noticed between the office copies of the bills etc. in the Division and the duplicate schedules available with the inspection party should be got reconciled by the Divisional Officer. Any major or important discrepancies noticed are required to be intimated to the Director of Audit, Commerce Works and Miscellaneous for arranging a scrutiny of the original vouchers available with the PAO(NH) New Delhi. The Inspecting Officer should therefore attach with the inspection report, a special note detailing the discrepancies and result of reconciliation attempted by the Divisional Office. In respect of N.H. Divisions which execute State Works, one major or minor state work should also be selected and analysed in detail during inspection. The selection of this work also will be done at the Headquarters office as usual and the documents referred to in para 31 of the S.M.I forwarded to the inspecting team for the purpose of their complete analysis. In drafting of reports clear indication should be given as to whether the observation is in respect of State work or a National Highway work.

6) It has also been decided that the points taken up in the inspection report on the accounts of National Highway works should be pursued by the State Accountant General with the Chief Engineers and State Government since full facts of the case would be available in the State government departments. The factual statements and draft paragraphs which will be considered for inclusion in the Audit Report should also be brought to the notice of the Ministry of Transport, Department of Surface Transport by the State Accountant General under intimation to the Director of Audit, Commerce Works and Miscellaneous, New Delhi.

(Authority: CAG's No.132/TA.II/222/76 dated 23.01.1978, WM Cir. No.WM.I/15-13(2)(a)77-78/42 dated 28.02.1978, CAG's Cir. No.2245-TA.II/2-78.II dated 29.11.1979)

7) Ministry of Road Transport & Highways, Government of India had introduced Direct Payment System procedure for execution of National Highway works with effect from 01.04.2003. The new system, approved by the Comptroller and Auditor General of India and Comptroller General of Accounts has been detailed in the Manual for Direct payment procedure prepared by the chief Comptroller of Accounts, Ministry of Road Transport & Highways. The procedure is applicable to all N.H. works under the Major Head of Account 5054- and special repair and periodical renewal/improvements in riding quality works under Major Head of Account 3054. For Ordinary Repair and Flood Damage Repair under Major Head 3054 M&R, the existing reimbursement system will continue. For payment under Direct Payment System, bills of contractors are to be submitted by NH Divisions to Regional Pay and Accounts Officer (NH), MORT&H, Bangalore after necessary verification through the Regional officer, MORT&H, Thiruvananthapuram. Full responsibility for the correctness of payment, quality of work as also operation of contracts rests with state NH Department as in the old system.

(Lr. No.RW/G-2011/2/2001-WA(Vol II) dated 12.05.03 of MORT&H (Road wing)New Delhi)

2.09 Inspection of Lakshadweep P.W. Divisions

The inspections of Central Divisions working under Lakshadweep Administration are being planned, programmed and arranged by the Dy.Accountant General (Central), Kochi, along with the inspection of other Central Government offices in the State. But the edition, issue and pursuit of these Inspection Reports have been entrusted to IAU (Works) Section. On receipt from DAG (Central), these inspection reports are to be treated like other inspection reports in the section according to the instructions contained in this Manual. But instead of State Public Work Codes, in this case, Central Public Works Account Code and other financial rules of the Union will apply.

(Para 1.01 of Central Audit Manual)

ANNEXURE I

(Vide para 2.01)

Norms for fixing the party days required for inspection of a PW Division/Office

Periodicity of Public Works Inspection—Regulation of number of Public Works Party days (from 1983-84)

	Nature of Division/Office	Working Party days
1	Survey, Investigation, Design, Research and Quality-Control Division(Biennial)	8
2	Maintenance Public Works Division(Biennial)	9
3	Construction Division with expenditure	
	(i) Upto Rs.80 lakh	8
	(ii) Above Rs.80 lakh and up to Rs.1.20 crore	10
	(iii) Above Rs.1.20 crore and up to Rs.2 crore	12
	(iv) Above Rs.2 crore and up to Rs.2.50 crore	14
	(v) Above Rs.2.50 crore and up to Rs.3 crore	15
	(vi) Above Rs.3 crore	16
4	Chief Engineers Office	5
5	Superintending Engineer/Surveyor of work	3
6	Estate Offices:	
	(i) Director of Estates	20 to 30
	(ii) Other Estate Offices	10

In cases of maintenance-cum-construction Divisions, the norms prescribed for Construction Division will apply.

(General Cir. No.117/TA-II/1980/No.1116-TA. II/34-81 dated 21.9.81 and Gl. Circular No.28-TA.II/1983/No.335-TA.II/222-82/18-3-83-File No. CASS(W)/Ib/15-234/Vol. I).

Note: One additional day is allotted consequent on the transfer of nominal audit and number audit in respect of establishment vouchers from Central to Local Audit.

ANNEXURE II

(Vide Para 2.01)

Proforma for Audit plan
Audit Plan-Inspection Parties

Distribution of party days		Allocation of party days									CAP/IAU	
Units	Review	Total number of units			Units programmed						Number of vouchers	Party days
		A	B	C	A	Party days	B	Party days	C	Party days		
1	2	3	4	5	6	7	8	9	10	11	12	13

Details of categorization

Category of units	Periodicity of Audit	Expenditure	Party days to be allotted
A	Annual	Units having more than Rs.1 Crore expenditure excluding establishment expenditure	8 to 10 working days
B	Bi-annually	Units having expenditure between Rs.25 lakh to Rs.1 Crore	6 to 8 Working days
C	Once in 3-4 years depending on the availability of field staff	Units having expenditure less than Rs.25 lakh	3 to 6 working days

Constitution of Field Parties

Category	Details of staff	Supervision
A Party	Sr.AO/AO – 1 AAO/SO – 2	100%
B Party	AAO/SO– 2 OR AAO – 1 Sr. Auditors- 2	50%
C Party	SO – 1 Sr. Auditor/Auditor - 1	No supervision required

Note: The categorization of party will change on the review to be undertaken every 6 months and Category A party may be down graded to Category B or even Category C depending on performance by way of contribution of Audit Report material and vice versa.

**Annexure-III
(Vide Para 2.04)**

**OFFICE OF THE
PRINCIPAL ACCOUNTANT GENERAL (AUDIT) KERALA
BRANCH: THRISSUR**

Phone No. (0487) 2331402

Fax No. (0487) 2331121

No. IAU(W)/

Dated:

To

.....
.....
.....
.....

Sir,

I am to inform you that the Assistant Audit officer/Section Officer of PW Partywill be inspecting your office on or about..... and succeeding days and request that he/she may be extended all facilities for carrying out his/her work.

It would be advantageous if you could conveniently arrange to be present at the office of the inspection so that any point or doubt of importance may be personally discussed with you. On the first day of audit, the party members will have an entry meeting with you to discuss the audit plan. On the last day of audit the draft Inspection Report will be discussed with you.

In the course of audit, the field party may request you to physically verify the cash and inventory in the presence of auditors and to record the results of verification. Necessary assistance may be afforded to the audit party for this purpose also.

A list of documents to be kept ready by the scheduled date of commencement of audit is shown in Annexure A. Information required in Annexure B may also be kept ready for being handed over to the audit party on the date of commencement of audit. Besides, the records mentioned in Annexure 'A', files and other records relating to action taken for the clearance of outstanding paras of previous inspection reports and on Audit Committee Meetings may also be kept ready for verification and necessary arrangements made for discussion of the outstanding paras and to clear maximum cases.

Please acknowledge receipt of this intimation by return of post quoting the reference number and indicating correct postal address, telephone number/contact number, fax number etc.

Yours faithfully,

Assistant Audit Officer

ANNEXURE-III-A

List of documents to be kept ready on the schedule date of commencement of audit (relating to the period since last audit)

1. Cash Book with counterfoils of cheques and receipt books and other relevant records including remittance books and cash balance reports.
2. Transfer entry books.
3. Contractor's ledger.
4. Agreement Register and Agreements.
5. Stock account with all relevant records.
6. Tools and Plant Accounts with relevant records.
7. Register of tenders received and accepted.
8. Works order book/work orders.
9. Materials at site account.
10. Register of Licence Fee of buildings and lands.
11. Suspense/Deposit Registers.
12. Division-wise register of transactions adjusted under the head 'Cash Settlement Suspense Account'.
13. Register of fixed charges.
14. Register of revenue other than licence fee.
15. Log Book of vehicles including construction machinery.
16. Treasury Bill Book.
17. Contingent Register.
18. Acquittance Rolls.
19. Register of cheques and receipt books.
20. Register of survey reports and survey reports.
21. Register of service books and service books
22. Muster Roll Register/Muster Rolls.
23. Register of Manufacture.
24. Register of interest bearing securities and securities.
25. Schedule of settlement with treasuries.
26. Register of Works/Works Abstracts.
27. Register of Leases/Lease files.
28. Subsidiary Cash Book.
29. Measurement Books.
30. Standard Measurement Books.
31. Road Metal Return

32. Register of Special/Miscellaneous recoveries.
33. Register of Appropriations.
34. Register of Executive Engineer's check measurements.
35. Register of contractors' bills.
36. Register of review of measurement books by Divisional Accountant
37. Register of valuables.
38. Registers of AG's audit objections and Divisional Accountant's objection.
39. Any other documents/files/details as and when called for by the audit party.

ANNEXURE-III – B

Details/Information relating to the period since last audit

1. Name of CE/SE/Executive Engineer and FO/FA/DA in-charge of the office since last audit and the period of charge.
2. Details of attached sub-offices or units, if any.
3. Staff strength – sanctioned and actual (category-wise).
4. Number of Service Books: (a) Maintained (b) produced to audit and (c) reason for non-production, if any.
5. List of N.G.Os due to retire within 5 years from the scheduled date of audit.
6. List of N.G.Os who are not admitted to GPF/SLI.
7. Details of last departmental/internal audit such as
 - (a) Dates of inspection and the authority who conducted the inspection.
 - (b) Period of accounts covered; and
 - (c) Present stage of the report.
8. Gross expenditure during the last financial year.
 - (a) Establishment
 - (b) Works (i) Plan and (ii) Non-Plan (iii) Deposit Works
9. Amount of Permanent Advances sanctioned.
10. Total Gross Revenue collected during the last financial year and the nature of revenue.
11. List of Non-Government accounts maintained.
12. List of accounts maintained with Commercial Banks, Co-op. Banks/Societies, Government Treasuries.
13. Number of subsidiary Cash Books, if any, maintained.
14. List of purchases exceeding Rs.1000/-.
15. List of cases of theft, loss embezzlement or misappropriation of Government money/property.
16. Details of works, if any, arranged without budget provision, exists.
17. Details of works, if any, arranged before obtaining Administrative Sanction/Technical Sanction.
18. Details of contracts in which contracted rates wise subjected to upward review.
19. Year-wise details of outstanding bills due to contractors pending payment.
20. Details of contracts which were terminated otherwise than at the risk and cost of contractors/works abandoned (with files).

21. Details of works, arranged for execution waiving tender calls.
22. Details of works arranged for departmental execution.

Assistant Audit Officer

FORM-I
REGISTER OF LOCAL INSPECTION

[Vide Pra 2.03 (1)]

Sl. No.	Name of Institution	Periodicity	Number of days allowed	Dates of last inspection	Dates of inspection	Authority	Remarks
1	2	3	4	5	6	7	8

FORM-II
CHECK REGISTER OF TRAVELLING ALLOWANCE BILLS
[Vide Para 2.03(3)]

Sl. No.	Month of Claim	Amount of Bill	Date of receipt in the Section	Date of return to Establishment Section
1	2	3	4	5

FORM-III
REGISTER OF DEVIATION IN THE LOCAL INSPECTION
PROGRAMME
[Vide Para 2.03 (4)]

Sl. No.	Name of Office	Date of inspection as per original programme		Nature of deviations	Authority
		From	To		
1	2	3	4	5	6
<hr/>					

CHAPTER 3
INSTRUCTIONS FOR THE CONDUCT OF PUBLIC WORKS
INSPECTION

3.01 Distribution of work among the personnel in the Inspection parties

A broad outline of the duties and responsibilities that could be entrusted to different categories of personnel in PW Inspection parties as indicated in para 6.2.2 of MSO(Audit) is reproduced in Annexure I to this Chapter

3.02 Responsibilities of Inspecting Officers

According to para 2.9 of MIR and Para 6.1.8 of MSO (Audit), normally Auditors should be able to finalise audit memos and put up notes on their own. The provision was intended to encourage auditors to assume responsibility and act on their own, subject to general supervision by the Inspecting Officer. It is clarified that it was not the intention that the head of the party would cease to be responsible for the working of the auditors in the party. It is reiterated that he remains responsible for the audit as a whole. The Inspecting Officer must guide the Auditors by general instructions and always keep himself posted with the progress of the work to the extent determined by him. He should determine the extent of independent action to be allowed to each member of the party with reference to his experience, quality and capacity to act independently. Based on such judgement, he may permit individual members to issue draft memos themselves and see the memos after issue in due course. In cases where it is considered appropriate the Inspecting Officer should stipulate that the memos may be issued only with his approval. The Inspecting Officer should always make arrangements to keep himself posted with the progress of audit and the observations that have been communicated to the inspected office by suitable arrangement of work.

2. According to para I(B) of annexure 2.9.1 of MIR, examination of cash book and verification of drawals and deposits into treasury with reference to treasury records is required to be done by AAO/SO. In cases where close supervision of the items in (1) above are needed, the assistance of the auditors may be availed of also for routine checking of receipts and payments subject

of course to the overall responsibility and supervision resting with the AAO/SO.

3. Where Supervising Officer is available, the AAO/SO should get the inspection memos (AEs) prepared by the Auditor/Sr.Auditor/SO/AAO approved by the Inspecting Officer before issue, in all cases where the Inspecting Officer had not given permission to the individual members of a party for the issue of draft memos without his prior approval. Even in cases where memos are issued by individual members with the permission of the Supervising Officer he may call for the office copies of the memos already issued by the members of the party and issue further remarks where he considers necessary to modify the audit enquiry already issued or to obtain supplementary or other information, clarification etc.

(Cir. No.11 OA (HQ)/GI/4-1/85-86/1138/11-2-1986)

3.03 Responsibility for inspection

1. The officer supervising the local audit of the institution is primarily responsible to see that all audit work done by himself and the staff is carried out in accordance with the rules prescribed in this behalf and the instructions in this Manual. Even in regard to the items of work entrusted to the subordinate staff, the Inspecting Officer will remain responsible for the efficiency of the work.

2. The Inspecting Officer should himself undertake a substantial part of the general examination of the initial accounts. A list of important items of work which should be carried out personally by the Inspecting Officer himself is given in para 53 of the SMI. In addition, the following items of work should also be attended to by him personally:

- a) Review of the register of Divisional Accountant's audit objections
- b) Review of the Inspection Reports of the Superintending Engineers, the Divisional officers and the Divisional Accountants.
- c) Review of the extent to which instructions and orders previously issued and noted for compliance are being observed in practice.
- d) Review of the irregularities noticed in previous inspection reports which remain un-remedied.

- e) Scrutiny of any points noticed in the course of Central audit or otherwise which he may be asked to settle on the spot.
- f) Scrutiny of any other items not specified herein which he considers necessary to be examined at the spot.
- g) Any arrears or defects in the account work of the Division.

It should, however, be clearly understood that this list is not intended in any way to reduce the responsibility of the Inspecting Officer for the supervision of the inspection as a whole; he should extend his personal scrutiny to other points also which in his opinion require to be looked into.

3. The Inspecting Officer should see that the inspection is complete and thorough and covers transactions up to the month preceding the month in which the inspection takes place. He should also see that there is no failure in bringing to light serious irregularities and defalcations.

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

3.04 General Examination of accounts

Detailed instructions in connection with the general examination of accounts are laid down in paragraphs 39 to 50 of the Secret Memorandum of Instructions.

The various initial accounts records, etc., to be inspected are mentioned in the succeeding paragraphs, with points requiring special attention against each.

The various initial accounts records, etc., to be inspected are mentioned in the succeeding paragraphs, with points requiring special attention detailed against each.

3.05 Cash Accounts

The arrangements for obtaining cash from treasuries, its custody, payment and accounting should be examined to see that they are in conformity with the rules on the subject contained in Chapter 6 of the Kerala Public Works Account Code

The Cash Book should be carefully scrutinized to see that it is properly written up and maintained in accordance with the instructions given in the notes of K.P.W. Form 1. The selected month's transactions should be checked in full and arithmetical accuracy checked in respect of another month. In addition to the check prescribed in para 40 of SMI it should be specially seen that:-

- (i) private cash or accounts of members of the department or undisbursed balances of cash obtained from treasuries or banks, on cheques for pay and allowances of establishment are not accounted for through the cash book or mixed up with the regular cash balance;
- (ii) in respect of the selected month(s) all receipts of cash has shown in the counter-foils of receipt books are traceable, under proper dates and with correct particulars in the Cash Book.
- (iii) cash received is promptly paid into the treasury through the Treasury Remittance book and is duly acknowledged therein; any delay in remittance should be pointed out;
- (iv) the cash book is closed and balance struck on the prescribed dates;
- (v) there is no erasure or interpolation and that errors are rectified properly;
- (vi) there is no habitual or undue delay in the submission of Sub-Divisional cash books or copies thereof with all vouchers to the Divisional Office.
- (vii) there is evidence in the cash book of verification of all entries of receipts and payments and of the actual balance of cash in chest and that any deficit or surplus in the actual cash balance as compared with the book balance is accounted for as indicated in paragraph 6.6.8 of the KPWA Code;

- (viii) entries in the vouchers/paid cheque/bills taken from the audit office agree with those in the Divisional and Sub-Divisional cash books and imprest accounts;
- (ix) there is no tendency to keep an unduly large cash balance in hand;
- (x) in the case of time expired, lost and cancelled cheques, the procedure indicated in paragraphs 6.2.16 to 6.2.20 of KPWA Code is followed;
- (xi) copies of remittance slips are received in the Divisional Office from the Section Officers, whenever revenue collected by a Section Officer is remitted by him to the Sub-Divisional Officer or other near superior officer having a cash book and they are checked with the receipt entries appearing in the copy of the Sub-Divisional cash book vide para 6.3.6 of the KPWA Code;
- (xii) monthly statements containing full particulars of amounts collected and remitted by Section Officers during a month are received in the Sub Divisional Office and that these statements are verified with reference to the entries in the cash book and prompt and efficient action is taken in regard to discrepancies, if any (Note 2 under paragraph 6.3.6 of KPWA Code).
- (xiii) cheques are not drawn and deposited in the cash chest at the close of the year for the purpose of showing the full amount of grant as utilized (Note under para 6.4.4 of the KPWA Code); and
- (xiv) the cash balances with the subordinates are checked occasionally by the Sub-Divisional Officer.

Note: Verification of Cash Balance

Headquarters office has directed that audit of cash management should be conducted in respect of offices covered in Audit. The audit parties may ask the DDOs in course of normal audit, particularly in big departments to conduct physical verification of cash or inventory in their presence. Findings of physical verification should be included in the Inspection Report and processed in to draft paragraphs, if possible.

(Circular No.Report(Civil)/I/54-1/98-99/Vol 38 dated 14.05.99)

The intimation letter regarding the commencement of audit, issued by controlling sections to Heads of Offices should contain the following sentence also: -

“In the course of audit, the field party may request you to physically verify the cash and inventory in the presence of auditors and to record the results of verification. Necessary assistance may be afforded to the audit party for this purpose also”.

(Orders of PAG dated 10.10.2003 contained in Note No.ITA/1-5/2003-04/97 dated 14.10.2003)

3.06 Cheque and Receipt Books

The cheque and receipt books should be examined to see that:

- (i) all the receipt books are entered in the “Register of Cheque and Receipt Books” and the Register is maintained and reviewed properly as per paragraphs 6.7.3 and 6.7.7 of the KPWA Code;
- (ii) the corrections, if any, on the counterfoils or the memoranda of balances on their back do not disclose any financial irregularity or overdrawal.
- (iii) the counterfoils of used cheque books are returned promptly to the Divisional Office for check and record and bear the check certificate of the Divisional Accountant (para 6.7.8(b) of KPWA Code).
- (iv) the certificate of count of number of forms is duly recorded on the flyleaf of each book.
- (v) the counterfoils of used receipt books are forwarded promptly to the Divisional Office for verification and return and the returned books bear the check certificate of the Divisional Accountant;
- (vi) no receipt in Form KPW 3 is signed before the receipt of the money has been recorded in the cash book, or by an officer not authorized in this behalf (Note 2 under para 6.3.1 of KPWA Code)
- (vii) no cheque is drawn unless the amount is to be paid at once;

- (viii) the procedure prescribed for time expired, cancelled or lost cheques is followed; and
- (ix) the paid cheques are traceable in the Treasury Pass Book maintained under paragraph 22.3.3 of KPWA Code.

3.07 Vouchers not submitted for audit.

The vouchers not submitted to audit should be scrutinized to see that: -

- (i) every voucher bears a pay order properly signed or initialed and dated by the responsible disbursing officer and payee's acknowledgement;
- (ii) a proper form of voucher applicable to each case is used and
- (iii) generally it is complete in every respect in accordance with the general instructions contained on the subject in the Public Works Account code and the Kerala Financial Code.

3.08 Imprest and Temporary Advance Accounts

The Imprest and Temporary Advance Accounts should be examined to see that:

- (i) they are regularly closed and recouped punctually before the cash book for the account month concerned is closed and the amounts of imprests are not unduly excessive;
- (ii) they are properly examined by the recouping officer before recoupment;
- (iii) there is no avoidable delay in the adjustment of long standing "temporary advances";
- (iv) special sanction of Government exists for permanent imprests in excess of the limit fixed (paragraph 6.6.9 of KPWA Code);
- (v) the Sub-Divisional Officers do not enhance or permanently reduce or close imprests without the orders of the Divisional Officer (Note I under paragraph 6.6.12 of KPWA Code);
- (vi) certificates of count of cash balances in the Imprest Accounts are given after actual count;

- (vii) receipts from the imprest holders have been obtained and filed for imprests outstanding on 31st March (paragraph 22.4.19 of KPWA Code); and
- (viii) payments from imprest holders' private cash are not made for Government liabilities or charges before the imprest cheque is cashed.

3.09 Stock Accounts

Chapter 7 of KPWA code lays down the rules and procedures for maintenance of stock accounts in the State P.W. Divisions. The detailed instructions on store accounting were issued as per GO(P)/77/79/PW&E dated 6-7679. The Government in GO(P) No.6/89/PW&T dated 30.01.1989 have introduced amendments to the accounting procedure by which the value of materials not paid for in the same month is debited to a suspense sub head "Material Purchase settlement suspense Account(MPSSA)".

The initial account records relating to stock for the month(s) selected for test audit should be checked with the schedule dockets and vouchers of the month(s) received from the IAU(Works) section and the records for the period of inspection should be scrutinized generally to see that: -

- (i) the initial accounts are in proper order and the receipts and issue are recorded therein in the order of occurrence;
- (ii) there are no fictitious adjustments in the accounts;
- (iii) authority exists for the receipt or issue of materials and there is proper acknowledgement for every issue accounted for;
- (iv) materials received are examined and measured at the time of actual receipt by an authorized person;

Note: The method of verifying the quality and quantity of stores, whether collected for work or stock, should be examined to see that the verification is complete and reliable in accordance with rules.

- (v) the value accounts are maintained and issue rates fixed in accordance with the instructions contained in paragraphs 7.2.19 to 7.2.21 of the KPWA Code;

- (vi) the head “stock is charged only with expenditure connected with the acquisition of stock materials and with value of materials issued to works, or sold, transferred or otherwise disposed of. (Materials purchased specifically for the work should be charged to that work);
- (vii) issues to works are correctly classified (under paragraph 10.3.1 of KPWA Code) as “issues to contractors” or “issues direct to works” and correctly charged for, if necessary at higher rates vide paragraph 7.2.21 *ibid*;
- (viii) in respect of issues to works, the conditions laid down in paragraphs 10.3.4; 10.3.5; 10.3.10 and 10.3.14 of the KPWA Code are fulfilled viz;
 - (a) the issues are ordinarily confined to materials which have to be supplied under the conditions specified in the contracts;
 - (b) the issues are charged for at the rates shown therein, the difference between the stock issue rates and those chargeable under the contracts being treated additional final outlay on the work concerned under paragraph 10.3.7 and 10.3.12 of the KPWA Code.
 - (c) no carriage or incidental charges are debited against stock for moving the materials from or to a work;
 - (d) surplus materials are not taken over, or taken back to stock, except as indicated in paragraph 10.3.14 of the KPWA Code;
- (ix) in the case of materials collected for work or for stock, the collection is not made far in advance or much in excess of the actual requirement;
- (x) in the case of materials or stock surplus to requirements or obsolete, proper steps are taken to circulate lists of such materials to other offices or departments in the locality and that

suitable arrangements are made to dispose of all such materials without loss to Government; and

- (xi) adequate action has been taken to secure the adjustment of profits and losses due to revaluation, stock taking or other causes and for disposal of unserviceable or surplus materials.

3.10 Verification of Reserve Limit of Stock

The reserve limit of stock should be examined with reference to the balance of stock at any particular period to see that the limit has not been exceeded without the approval of the competent authority. It should also be seen that the limit fixed is reasonable based on actual requirements.

3.11 Store Records

(i) **Priced vocabulary:** Under the revised system of stores accounting the Divisions have to maintain a priced vocabulary of stores under para 7.2.3 of KPWA Code. It should be seen whether this is maintained by the Division up-to-date.

(ii) **Goods Received Sheets:** It should be verified that the Goods Received Sheets are properly written up as per para 7.2.5 to 7.2.8 of KPWA Code and there is no delay in accounting of receipt of material. The register of Goods Received Sheet in Form 7A of KPWA Code may also be examined to verify that the used books with copies are promptly returned to the Divisional Office.

(iii) **Indents:** Paras 7.2.9 to 7.2.11 of KPWA Code lay down the procedure to be followed in respect of preparation of indents, issue of materials, etc. It should be examined whether the said provisions are complied with. It should also be seen that there is evidence of the lists of surplus stores having been referred to before indents are placed for articles.

(iv) **Bin Cards:** These (Form 7 of KPWA Code) provide a chronological record of receipts, issues and the running balance of each article and they are kept at the place where the materials are stored. Posting of bin cards for the selected month should be verified from the respective Goods Received Sheets and indents. It should be seen in particular whether the cards bear evidence of periodical verification by the Divisional Officer as prescribed

in paragraph 7.2.14 of KPWA Code. The register of bin cards in KPW Form II B should be scrutinised to ensure that: -

- (a) adequate care is taken for the proper maintenance and safe custody of these important records;
- (b) the completed bin cards are returned by the Sub-Divisional Officers to the Division promptly;
- (c) the Divisional Officer verifies the entries in the completed Bin cards and the corresponding entries in the priced stores ledger as prescribed in paragraph 7.2.15 of the KPWA Code.

(v) **Summary of Stock receipts (Form 8 of KPWA Code) and Summary of Indents (Form 9 of KPWA Code):** Entries made in the summary of receipts and indents for the selected months should be checked with the copies of goods received sheets and indents and the transactions traced in the respective Bin cards and Priced Stores Ledger.

(vi) **Priced stores ledgers (KPW Form 11):** These should be checked to ensure that they are maintained properly as laid down in para 7.2.31 of KPWA Code. Entries made therein for the selected month are to be traced from the Goods Received Sheets and indents. The quantity balances shown therein for some selected items should be verified with the balances shown in the cards and the discrepancies, if any, investigated. An agreement should also be effected between the value shown as balance as per the Stock Account Part I (KPW Form 68)

3.12 Physical Verification of Stock Materials

It should be seen whether the annual stocktaking has been done as per para 303 of KPWA Code and the Physical balances and book balances have been agreed and in case of discrepancies, action has been taken as required in para 7.2.36 of KPWA Code. Losses of stock which are due to the negligence of departmental officers should be brought to the notice of Government for necessary action.

It may also be verified whether the Dy. Chief Engineer(Stores and Purchase) has conducted surprise verification of the stores at least once in a year as contemplated in Note I below para 7.2.35 of KPWA Code.

A few selected items of stock which were certified by the Divisional Officer as having been verified should be examined in detail to see that both the quantity and value accounts thereof were duly corrected in accordance with the recorded results of the verification.

3.13 Scrutiny of Stock Accounts

Inspecting Officers should scrutinize the accounts of stores as carefully as other accounts and bring to notice cases of irregularities connected with the purchase and disposal of stores, proper store keeping and maintenance of initial records of stores by the departmental officers, eg.

- (i) Non-verification of stores.
- (ii) Purchase of stores in anticipation of orders or in advance of or in excess of requirements (purchase of stores in excess of requirements involve unnecessary locking up of capital and possible loss by deterioration).
- (iii) Purchase of stores at excessive rates compared with the rates in similarly situated areas or the rates published in catalogues of Engineering firms, if available.
- (iv) Losses or shortage of stores (for this purpose, it would be helpful to examine locally the reports of verification of stock and to bring to notice any unusual circumstances connected with any item).
- (v) The disposal of materials, the issue rates for which are known to be appreciably below the market rates, should be specially scrutinized to see that there was no irregularity or loss.

3.14 Stock Receipts: Monthly Abstracts

It should be seen that the quantities of receipt of stock for the test audit month are traceable into the store ledger.

3.15 Check list in respect of issue of stock materials

The Public Works Inspection Parties conducting local audit of the Stores Divisions should prepare a check list, Division-wise in respect of issue of stock materials during selected month(s) indicating particulars of Division

receiving the stores, indents number, total value of indents, brief description of the major items of stores issued. This check list should be sent along with the draft inspection reports to IAU(Works). IAU(Works) will furnish an extract of the relevant entries in the check list (noted in the Register of points for local inspection) to the Inspecting Officers/parties for detailed verification during the course of local audit of the Public Works Division concerned. It should specifically be verified by the Inspection Officers/parties that the stores stated to have been issued by the Stores Division as per indent from the receiving Division have actually been accounted for by the recipient Divisions in the accounts of stock or work. The irregularities/ discrepancies, if any, noticed on this account should be mentioned in the Inspection Reports.

(CAG's Office Lr. No.764-TA II/178-82 dated 05.07.82)

3.16 Surplus and Unserviceable Stores

- (a) It should be seen that:-
- (i) issues from surplus stores lists are checked with reference to the transfer entry orders;
 - (ii) the list do not include any articles which are likely to deteriorate;
 - (iii) the articles in the lists were verified during the year and that all deficits and surplus found are duly accounted for;
 - (iv) action has been taken for transfer of surplus stores to other Divisions in need of them and for disposal of unserviceable stores under orders of competent authority to the best advantage of Government. Auction records may also be scrutinized and credit for sale proceeds, if any, verified. In the case of surplus stores, the full circumstances under which they could not be made use of, extra expenditure necessitated by transfer of surplus stores to other Divisions, hiring of go-downs owing to piling up of materials, losses due to deterioration in quality, etc. should be probed into and comments included in the Inspection Report.

(b) Apart from comments being included in the Inspection Report, the details of surplus and unserviceable articles held by various Divisions may also be furnished separately in the following proforma and attached to the Inspection Reports for use in Headquarters Section in preparing material for draft paragraph on stores and stock. Only major items costing more than Rs.10,000/- need be included therein.

Proforma of surplus and unserviceable articles

(i) Surplus Materials

Nature of items with quantities	Cost (Rs)	Period from which idling	Action taken for disposal	Remarks

(ii) Unserviceable Items;

Nature of items with quantities	Cost (Rs)	Period from which it has become unserviceable	Action taken for disposal	Remarks

Audit comments may be given briefly in the remarks column regarding adequacy of action, delays, deterioration, etc.

3.17 Road Metal Returns

The Road Metal Returns should be examined to see that:

- (i) proper quantity accounts showing receipts, issues and balances, kilometer by kilometer, of road metal of each kind are maintained (vide para 7.4.1 of the KPWA Code).
- (ii) writes off of metal are sanctioned by competent authority.
- (iii) unused balances are verified at least once a year and when an officer responsible for Road Metal is transferred, surplus and deficits are accounted for in accordance with para 7.4.2 of KPWA Code;
- (iv) a rate book in Form KPW 16 is properly kept (vide para 7.4.4 KPWA Code);

- (v) the receipts and issues of road metal, gravel etc. for the test audit month are checked with reference to the vouchers; and
- (vi) non-submission of road metal statements or long delays in their submission to the Division Office are specially noted.

3.18 Accounts of Tools and Plant

(a) The Tools and Plant Ledger should be checked in local audit. It should be seen that:

- i) there is no undue delay in the submission of the Tools and Plant Ledger (KPW Form 14) to the Divisional Officer (Para 21.1.6 of KPWA Code);
- ii) the accounts of receipts and issues of Tools and Plant in the Division and in the sub Division to be test audited are posted up to date and the entries in ledger for the selected month(s) are traced from the respective Tools and Plant Received Sheets and Indents. Part III of ledger should be seen to ensure that there is no delay in posting the ledgers and action taken for adjustment of shortages is adequate;
- iii) all work abstracts for new supplies of tools and plant for the period of inspection and the relative vouchers not submitted to audit are scrutinized to see that all items of receipts are traceable in the Tools and Plants Ledger.

(b) **Other records:** The Kerala Public Works Department Manual prescribes that in addition to the Tools and Plant Received Sheet, Indents and Tools and Plant Ledger in forms 12, 13 and 14 prescribed in the KPWA Code, a Register of Tools and Plant in Form Appendix XIII(a) to the Manual should also be maintained in each Divisional Office. A register of movements of Tools and Plant in Form Appendix XIII(b) *ibid* is also prescribed to be maintained. To enable the movement register being kept in the Division Office up-to-date, all movements of tools and plant are required to be accompanied by a transfer note in form Appendix XII(c) *ibid* a copy of which is to be sent to the Divisional Office. These records also may be scrutinized generally and test checked for the selected month(s).

(c) **Inter-Divisional transfer of tools and plant.** The PW Inspection parties may send to IAU(Works) lists of tools and plant transferred by the Division under inspection during the period covered by audit to other Divisions in the following proforma separately for each Division to which transfers have been effected.

- (1) Description of the tools and plant transferred
- (2) Cost.....
- (3) Rate of hire Rs.....per hour/day
- (4) Date of purchase/Date of Receipt by transfer
- (5) Date of transfer and to which Division transferred
- (6) Whether acknowledged by the receiving Division
- (7) Remarks

The statements so received may be sent to the party visiting the Division to which the tools and plant have been transferred for cross verification. The verification should include the fact whether the plants obtained on transfer have been duly accounted for and have actually been put to effective use and hire charges if any, assessed, realized and credited to Government, if the investigation in the manner discloses interesting points, self contained comments may be incorporated in the Inspection Reports. IAU (Works) may make use of the register of points for local verification for watching due action being taken on the statements received from the inspection party.

- (d) The following checks should be exercised in local audit:
 - (a) Classification by sub heads
 - (b) Arithmetical accuracy throughout

3.19 Measurement Books

Payments for all work done otherwise than by daily labour and for supplies required for specific works are made on the basis of measurements recorded in measurement books in Form KPWA 21. The measurement book should be numbered serially and entered in a register to be maintained in Form KPWA 84. This register should be examined to see whether it is maintained

properly as per para 10.2.9 of KPWA Code, entries are correctly noted and whether generally there is no delay in recording of completed Measurement Books.

During local inspection, special attention should be paid to the check of recorded measurement as the payments for work done are mainly based on the measurement and any errors in recording of measurements may lead to faulty or double payments. For this purpose, a test audit of selected measurement books should be conducted to see that: -

- i) the arrangements are in force for taking measurements and for checking measurements (vide para 10.2.15 of KPWA Code) and the result of the check measurements do not indicate any laxity of control;
- ii) the rates in the abstracts of measurements are entered only by authorized persons;
- iii) the arithmetical check of calculations of “Contents or area” is certified by the person carrying out the check;
- iv) the pages containing detailed measurement are scored out by a diagonal line in red ink and the abstract bears a reference to the number and date of the vouchers of payment;
- v) the dates of measurements of out station works, if any, are correctly traceable in the Traveling Allowance Journals of the officials concerned;
- vi) acknowledgements are taken from responsible persons whenever measurement books change hand, vide para 189(b) of Kerala Financial Code, Vol I;
- vii) the remarks made by the Sub Divisional Officer or the Executive Engineer in the measurement book and corrections in rates made after check measurements do not indicate that irregular and incorrect measurements have been made;
- viii) works which will not be susceptible of check measurement after a certain stage, for example, works in channel river, tank beds, foundations, etc. which will be covered up are check

measured in time by the Sub-Divisional Officers (para 10.2.15 of KPWA Code).

- ix) the date of measurement should be compared with the date of payment to see that payments are not intentionally postponed to the following year with a view to avoiding excess over appropriation;
- x) in the case of cancelled measurements, the cancellation is supported by the dated initials of the officer ordering the cancellation and also full reasons for the same are given (para 10.2.11(f) of KPWA Code), and
- xi) check measurement is conducted with discretion and the items of work easily susceptible of fraud or which would most materially affect the total amount of the bill are selected for check measurement (para 10.2.15(v) of KPWA Code).
- (xii) the “Register of Measurement Books” prescribed in paragraph 10.2.9 KPWA Code should be examined to see that it is properly maintained and is a complete record of all the measurement books held in a Division. The prompt return of completed measurement books to the Divisional Office and their retention for the prescribed period viz. 10 years from the date of final record in the Division Office would also be checked through this register.

3.20 Standard Measurement Books

(1) The instructions in paragraph 10.2.12 and 10.2.13 of the Kerala Public Works Account Code should be borne in mind when examining standard measurement books and any deviation noticed from the rules should be investigated.

It should be particularly seen that:

- (i) the standard measurement books are written up in ink are numbered alphabetically and are traceable in the Register of Standard Measurement Books in Form KPW 84.

- (ii) measurements are duly certified as fully checked by the Sub Divisional Officer and as finally approved by the Divisional Officer:
- (iii) the books are brought up to date from time to time under the supervision of the Sub Divisional Officer, are scrutinized by the Divisional officer and are personally examined by the Divisional Officer at least once a year and
- (iv) the annual reports prescribed under the rules to be submitted to the Superintending Engineer are regularly and punctually submitted (para 10.2.13(6) of KPWA Code).

(2) It should be seen that the Register of Standard Measurement Books are kept under lock and key in the personal custody of the Divisional or Sub Divisional Officer concerned.

Note: *The maintenance of standard measurement books only optional and their non-maintenance does not require the sanction of any higher authority. The option is left to the discretion of the Executive Engineer of the Division.*

3.21 Muster Rolls

- (1) Muster Rolls should be generally examined to see that the instructions contained in paragraph 10.2.6 of the KPWA Code are followed.
- (2) As prescribed in para 43 of the Secret Memorandum of Instructions, it should be seen that: -
 - (i) the disbursement of the labour charges and with it the certification of the disbursements is not entrusted as a rule to officials of a low standing;
 - (ii) there is evidence that the records of attendance are checked at intervals by responsible officers of the sub Division; and
 - (iii) the cost of labour is not so largely in excess of the value (at current rates) of the work done as to indicate either loss to government or need for closer financial control.

- (3) The following points may also be seen:
- (i) payment is made through muster rolls only to day labourers, and not to permanent or temporary employees whose pay is chargeable to the head “establishment” (vide para 10.2.4 of the KPWA Code).
 - (ii) attendance is taken daily and the record of attendance checked at intervals by responsible officers of the Sub Division;
 - (iii) a systematic record is maintained of the unpaid items and of their subsequent payment and wages remaining unpaid for three months are regularly reported to the Divisional Officer;
 - (iv) there are no unusual delays in payment;
 - (v) duplicate copies of muster rolls are not prepared and separate rolls exist for period of each payment;
 - (vi) a few muster rolls paid during the month(s) of the test audit should also be selected at random by the Inspecting Officer and checked arithmetically; and
 - (vii) payment of daily labour engaged through a contractor is not made or authorized on a muster roll as in such cases the use of the muster roll (or measurement book) is not permissible (para 10.2.8 of the KPWA Code).

3.22 Accounts of Works (General)

- (1) The points requiring special attention in connection with the test audit of accounts of works are detailed in paragraph 44 of the Secret Memorandum.

The following points which are subsidiary to or in amplification of should also be borne in mind: -

- (i) the materials to be supplied by Government for use on the work as specified in the contract are paid for by the contractor to the Government at the specified rates even if market rates or Divisional issue rates be less;

- (ii) no carriage charges or incidental charges are borne by Government for moving the materials beyond the place or places of delivery specified in the contract (para 10.3.4(c) of KPWA Code);
- (iii) materials not specified in a contract to be supplied to the contractor but which are required for use on the work and which are available in Government stocks are issued only with the authority of the Divisional Officer and at rates specified by him subject to the conditions mentioned in clause (5) of para 10.3.5 of KPWA Code;
- (iv) suitable arrangements exist for limiting the total issues of materials to a contractor in connection with a particular work to the reasonable needs of that work (para 10.3.9 of KPWA Code). This precaution is specially necessary when the agreed rates are lower than the market rates or when the materials are scarce in the open market;
- (v) the cost of materials issued to a contractor is recovered promptly, in accordance with the instructions contained in para 10.3.8 of KPWA Code;
- (vi) no advance of recoverable payment is made to or on behalf of a contractor and no financial aid is given to him except in accordance with the terms of his contract and the relevant rules (paras 10.2.32 and 10.2.33 of KPWA Code);
- (vii) in cases where the cost of materials is adjusted at once as a final charge arrangements exist for exercising detailed control over the transactions relating to materials and for verifying the unused materials;

Note: 1. *In regard to the issue of stores in respect of work done by departmental agency, scrutiny should be made in the quantity actually issued and charged to the work as against the quantity issuable based on estimate or on the basis of actual work done.*

2. *Para 10.3.19 of KPWA Code introduced in G.O.(P)799/81/Fin dated 25.11.1981 prescribes that a statement of theoretical calculation and consumption of departmental materials in KPW Form 23 (Para V) should be*

enclosed to all final bills. The theoretical consumption statements for materials and the recovery statements should be subjected to detailed check with supporting documents like measurement book. MAS Account estimates etc. in respect of all final bills paid during the period covered by the inspection including the work/works selected for detailed audit to see whether the recoveries effected compare favourably with the theoretical consumption and whether large scale variations are dealt with as per rules. The reasons for variations between theoretical consumption and actual consumption as recorded in each case should be examined with a view to find out whether it is indicative of sub standard work justifying payment at a lower rate than that agreed to. If consumption is in excess of that which is permissible, then recovery for the excess quantity should be effected at penal rates, etc. as per provisions of the contract.

(CAG's Lr. No.1555-TA.II/475-70 dated 15.7.1972)

(viii) in cases of probability of excess of actual cost over estimate cost of work, work slips in the prescribed form are submitted to the Superintending/Chief Engineer without delay (Para 10.6.3 of KPWA Code); and

(ix) in regard to rates paid for work done and supplies made abnormalities in rates are carefully examined. A comparative examination of the rates paid by various offices in the same or neighbouring localities may be made on this point.

(2) All cases of expenditure on demolition, restoration or rebuilding works, in connection with buildings or structures, irrespective of the amount involved or of the date of the original construction should be investigated with reference to the reports on estimates, etc. in order to see that:-

(i) the original expenditure has not proved unnecessary or fruitless;

- (ii) the new expenditure is not due to lack of foresight or neglect either in the arrangements for original construction or in its maintenance after construction; and
- (iii) there was reasonable justification for the original and for the new expenditure.

Note: *Where an existing work is replaced by a new work, it should be seen that the rules on the subject of accounting for the materials received from dismantled work are observed and that all such materials are properly disposed of.*

(3) In respect of any works or portions of work abandoned the accounts and correspondence in connection with such works should be examined to see whether there has been any avoidable loss to Government and whether such loss has been due to negligence.

(4) The principles governing inter-departmental transfers laid down in Chapter IV of the Kerala Account Code Vol I, should be borne in mind and any deviations from the prescribed principles should be investigated and brought to notice. As regards the expenditure on buildings, rates and taxes and cost of electric energy and water, the following points should receive special attention:

- (i) Expenditure on new buildings or on additions to existing buildings of a commercial department is charged against that department;
- (ii) The cost of buildings constructed or acquired by charge to the grant of the Public Works Department and subsequently transferred to a Commercial Department is recovered from that Department;
- (iii) Buildings occupied by a Commercial Department whether borne on the books of Public Works Department or not, are either maintained from the grant of the Commercial Department concerned or rent is recovered thereof; and
- (iv) All municipal rates and taxes, cost of electric energy or water in respect of any buildings occupied by a Commercial Department

but paid for by the Public Works Department are charged to the grant of the Commercial Department concerned.

3.23 Works Abstracts

When examining the accounts of works the Works Abstracts should be scrutinized with a view to seeing that: -

- (i) Works Abstracts are kept in prescribed forms for major and minor works;
- (ii) accounts of major works are maintained by sub heads(para 10.5.1 of the KPWA Code);
- (iii) the charges are correctly allocated to the sub heads concerned and transfers from one sub head to another are supported by a formal transfer entry order approved by the Divisional Officer under paragraph 8.1.7 of the KPWA Code;
- (iv) there is evidence that all marked deviations from the provision for receipts and recoveries of expenditure in an estimate are investigated under paragraph 22.2.11 of the KPWA Code;
- (v) the balances under the suspense accounts “contractors” and “labourers” have been verified by the Divisional Accountant and Sub Divisional Officer respectively and in the cases test checked, they agree with the balance-shown in the contractors’ ledger and in the record of unpaid wages; and
- (vi) progress is recorded (except where dispensed with by the Divisional Officer under paragraph 10.5.7 of the KPWA Code) from the details furnished by authorized executive officials in charge of the work and not compiled from measurement books or vouchers, etc by members of the office establishment (para 10.5.27 of KPWA Code).

3.24 Register of Works

- (1) The following checks should be exercised during local audit in respect of the Register of Works:

- (a) The checking of entries of estimates, etc. in the Register of Works (excluding works posted in part I of the Works Register).
 - (i) in the case of all works, on which expenditure has been incurred without or in excess of the sanctioned estimates/allotments etc. and
 - (ii) in the case of 25% of all other works.
- (b) Checking of progressive expenditure on individual works (excluding works posted in Part I of the Works Audit Register).

(2) The progressive expenditure and figures of sanctioned estimates, allotments, etc., in respect of individual works given in the half yearly comprehensive schedules of works expenditure excluding those posted in the Works Register of WAC Section should be checked with Register of Works to the following extent.

- (i) in the case of September Schedule : 50%
- (ii) in the case of March(Supplementary) Schedule : 100%

(Circular WM.15 (386) 739 dated 9.3.1962)

- (3) In addition to the checks prescribed in para 44 of the Secret Memorandum, it should be seen that:
- (i) the registers are maintained in accordance with the rules in paras 10.6.1 and 10.6.2 of the KPWA Code:
 - (ii) in the case of major works, the rates of cost are struck monthly under each sub head whose accounts are kept separately;
 - (iii) the monthly postings are examined and attested under the dated initials of the Divisional Officer (para 10.6.3 of the KPWA Code);
 - (iv) there is evidence to show that delays in closing accounts, in measuring work done, in settling bills, etc are enquired into (Note (2) under para 10.6.3 of KPWA Code).

- (v) all liabilities and assets are settled and suspense account cleared before the accounts of work are closed (paragraphs 10.6.5 to 10.6.8 of the KPWA Code;
- (vi) the note of completion of work is recorded in the registers under the signature of the Divisional Officer as indicated in paragraph 10.6.9 of the KPWA Code:
- (vii) completion reports are submitted in all cases where required under paragraph 10.6.11 of the KPWA Code.
- (viii) action prescribed in paragraph 10.6.12 of KPWA Code for corrections of errors is taken where necessary;
- (ix) separate columns have been opened for “materials at site”, “Advance payments to contractors”. “Unpaid wages of labourers” and other suspense accounts;
- (x) a special sub-head is opened for the recording of any receipts or recoveries creditable to the account of a Major Work;
- (xi) items of deviation from sanctioned estimate are entered as separate sub-heads; and
- (xii) material modifications of or deviations from the sanctioned estimates of large works of projects have received the sanction of competent authority.

3.25 Schedule of Works Expenditure

In the Inspection reports, a para should be included mentioning the number of works and amounts involved outstanding under the various categories of objections as shown in the schedule of works expenditure for September and March (Supplementary) and drawing pointed attention to any important cases where regularization has been unduly delayed.

3.26 Contractor’s Ledger

During local audit, the Contractor’s Ledger should be subjected to cent per cent check in respect of the selected month with reference to vouchers, T.Es and stock accounts.

It should be seen that :--

(i) it is properly maintained and kept upto date, the entries relating to running bills in column 9 “Total value of works or supplies” bear the initials of the Divisional Accountant, vide paragraph 10.7.5 of the KPWA Code and action is taken in the case of old outstanding accounts for the submission of a subsequent running bill or the final bill.

(ii) adequate reasons exist for delay in adjusting secured advances outstanding for over 6 months;

(iii) the Divisional Accountant has effected agreement month by month between the balances detailed in the work abstracts and the corresponding balances of the accounts in the ledger; and

(iv) debits for value of stock supplied are made from the original receipts given by the contractors which should agree with the entries in the monthly abstract of stock issues.

3.27 Materials-at site Accounts

It should be seen that:--

(i) the account of materials at site of each major work is maintained in Form KPW 31 or 31A (Para 10.3.2 of KPWA Code). It may be seen that the value of materials at site of each major work as shown in the Register of works agrees with the balances shown in the MAS Accounts;

(ii) the materials at site accounts of completed works including those transferred to surplus lists from completed works are scrutinized as to the circumstances under which they were obtained in excess of requirements or in advance of requirements and became surplus, such as change of design etc bringing to notice instances indicating lack of proper planning etc;

(iii) in the case of any surplus materials brought to site by contractors and taken over by Government, the condition laid down in paragraph 10.3.10 of KPWA Code are fulfilled and adequate action has been taken towards the disposal of any longstanding item;

- (iv) issues of materials to works are correctly classified under “Issues to Contractors” and “Issues direct to work” and issues to contractors are promptly debited to their ledger accounts and value recovered (vide paras 10.3.4 to 10.3.8 of KPWA Code) and unusual delays in obtaining unstamped receipts from the contractors, in debiting the values to the ledger or in effecting recoveries from the next running account bill are brought to notice;
- (v) proper numerical accounts of the receipts, issues and balances of surplus materials at sites of completed works or of dismantled materials (not immediately transferred to stock or to work in progress) are maintained in the Sub Divisional and Divisional Offices, pending their eventual disposal by sale or otherwise, (vide para 10.3.14 of the KPWA Code);
- (vi) there are no undue delays in the submission by Sub Divisional Officers of materials at site accounts of Major and Minor Works and annual reports of verification of materials at site of work (vide para 10.3.15 of KPWA Code);
- (vii) materials at site accounts are submitted to the Divisional Office along with the work abstracts (para 21.1.5(a) of KPWA Code);
- (viii) the materials are not issued in excess of requirements as per data;
- (ix) the unused balances of materials at site of works are verified (a) at least once in a year (b) on the completion of a work, and (c) when a Gazetted Officer or a subordinate in direct charge of a work is transferred before closure of the accounts (vide paras 10.3.5 to 10.3.17 of the KPWA Code); and
- (x) the materials account of any of the Major Works is not utilized as a temporary stock account for materials for other works in the Division.

3.28 Prequalification of contractors

“The system of “prequalification of contractors” was adopted for all works in the State undertaken by the PWD as per GO(MS)52/87/PW & T/17-7-1987. Salient features of the scheme are:

(i) Tenders for execution of work shall be invited from contractors pre-qualified according to the procedure laid down in the G.O. for works with estimated cost of construction as indicated below;

(a) Roads Works—When the cost of project (works portion only) is Rs.30 lakhs or more.

(b) Bridges works—When the cost of the bridge is Rs.50 lakhs or more

(c) Buildings works—Multi storeyed buildings with RCC frame costing Rs.50 lakhs or more.

(ii) Contractor prequalification prior to invitation of tenders shall also be resorted to in special cases of original and rehabilitation work involving complexity of design/construction and where deemed necessary for quality assurance, even if the cost of the work does not exceed the limits.

(iii) There should be a minimum of four pre-qualified contractors to ensure fair and reasonable competition. In the alternative, open tender system will be resorted to.

(iv) Selection of prequalification will be done by a committee consisting of the Chief Engineer (GI), the Chief Engineer Roads & Buildings and Chief Engineer (Buildings & Local Works).

In respect of Irrigation Works, the estimate limits are as under: -

(a) For specialized works such as non-overflow section of dam, overflow structure such as spill way of dam, tunnel – estimate cost Rs.300 lakhs or more.

(b) Canal formation including C-D Works and other irrigation works – Rs.125 lakhs or more.

- (c) Construction of aqueduct, bridge, bridge-cum-regulator, canal lock-cum-regulator, cut and cover and such other works – Rs.100 lakhs or more.
- (d) Construction of sea wall, flood bank, flood protection, flood control works – Rs.125 lakhs or more.
- (e) Contracts pre-qualification along with invitation of bids may also be made in case of special projects involving complexity of designs/construction and/or where it is deemed necessary even if the cost is below Rs.100 lakhs.

(GO (Ms) No. 43/99/IRD dated 9-6-1999)

PW Parties may see whether the requirements for resorting to the prequalification of contractors have been fulfilled.

3.29 Tenders and Contract Agreements

The tender documents, contract agreements, register of tenders, etc., should be scrutinised to see that: -

- (i) tenders were invited giving wide publicity as prescribed and allowing due notice period consistent with the magnitude of the contract; tenders have been issued to registered contractors only and in the case of unregistered contractors, proper authority exists; tenders have not been sold after expiry of date up to which tenders were notified to be sold; tenders have been received in the prescribed forms; all pages of tenders bear the dated initials of the officer opening them; the rates quoted by the tenderer have not been over-written or changed subsequent to the opening of tenders; tenders received are in prescribed form as per the approved notice inviting tenders and there are no deviations; comparative statements have been got correctly prepared, checked and certified by the Divisional Accountant as per provisions of para 4.2.10 of KPWA Code; in the case of contracts accepted after negotiations, the negotiations have been conducted by the competent authority and have been done in accordance with the procedure laid down and all formalities to be observed as envisaged in Chapter 15 of KPWD Manual have been properly observed. In cases where tenderers backed out, it may be seen whether the resulting loss has been assessed and prompt action taken for its recovery. In cases where the Department failed to accept the lowest tender

within its validity period, the departmental lapses may be investigated and the resulting loss commented upon;

(ii) security for the due fulfillment of the contract is taken unless specially ordered otherwise by competent authority;

(iii) satisfactory reasons are recorded for accepting a tender other than the lowest one which is *prima facie* in the tax-payer's interest. Audit should only challenge cases in which it has definite reason to believe that this discretion has not been properly exercised. The Audit Officer when bringing such cases to notice may *inter-alia* indicate whether ratio to the total number of cases examined points to the conclusion that they are merely individual lapses or are indicative of a wide spread general tendency. Such comments, as the Inspecting Officer may consider necessary to make with reference to the confidential statement of reasons for acceptance of tenders other than the lowest, should be written in his own handwriting and the notes containing such comments shall be sent confidentially to the Group Officer by name after being shown to the Divisional Officer or the Superintending Engineer in the case of contracts accepted by authorities higher than the Divisional Officer. They should not form part of the Inspection Report;

(iv) contracts are executed on standard forms applicable to each case, or on special forms prepared in consultation with the Law Officers of Government and are sanctioned by competent authority;

(v) contracts containing unusual conditions are not entered into without previous consultation with the Law Officers of Government and material variations in contracts once entered into are not made without the consent of Government;

(vi) if materials are to be supplied by Government, the materials to be supplied, the place or places of delivery and the rates to be charged to contractors are specified in the contracts and such rates do not differ from those notified in the notice calling for tender (paragraph 10.3.4 of KPWA Code);

(vii) contracts are free from ambiguities, that rates to be allowed are definitely stated and that if contracts provide for the payment for work done at a specified percentage below or above the estimated or other rates, it is stated

in clear terms in the contracts that such percentages will be calculated on the net and not on the gross amount of the bills for work done;

(viii) transactions relating to two or more separate working estimates are not covered by a single contract (KPWA Code Para 10.2.30).

(ix) the terms of contracts and the penalties for non-fulfilment of any of the terms are duly endorsed in practice;

(x) in the case of revised agreements or supplemental agreements providing higher rates, the sanction of the competent departmental authority exists;

(xi) agreements have been accepted by competent authority before the liability is incurred;

(xii) in cases where tenders are received for substantially lower amount than the estimated cost of work, the estimates are as a rule revised by the Divisional Officer;

(xiii) when estimates provide for using old and new materials in a certain proportion, the agreement should show different rates for work with new and that with old materials;

(xiv) in the case of non-tender works when materials are supplied departmentally and value recovered from bills, the contractor's profit, if any, included in the rates is deducted;

(xv) corrections in agreement are attested by both the parties;

(xvi) the rates entered in the original agreements are the same as the tendered rates in the case of works for which tenders are called for;

(xvii) agreements are not revised on the plea that market rates have risen after the agreements are accepted;

(xviii) in the case of supplemental agreements, the items for which extra rates have been allowed are not those covered by or incidental to items in the main agreement; the rates have been compared correctly based on reliable and authentic data and in accordance with conditions in the main agreement and orders of government on the subject. The circumstances necessitating the execution of such extra items not contemplated in the tender and contract

should also be gone into in detail and cases of defective investigation, estimation, designing etc., brought out clearly along with financial consequences thereof; and

(xix) cases of the types mentioned below should be scrutinised with special care:

- (a) Inclusion of new item of expenditure not contemplated.
- (b) Extension of time involving extra expenditure to Government.
- (c) Compensation payments/ex-gratia payments.
- (d) Extra-ordinary stipulations in contract.
- (e) Contracts on cost plus profit basis.

(xx) all clauses relating to arbitration have been deleted.

3.30 Schedule of Rates

(1) A schedule of rates of each kind of work commonly executed is required to be kept in each Divisional office, prepared on the basis of rates prevailing in each locality. It should be intelligently scrutinised to see that it is correctly maintained. The rates entered in the estimates should generally agree with the schedule of rates, but if any departure from these rates is made or authorized in any of the estimates, the report of the estimates should indicate in detail the manner in which the rate used in the estimate has been arrived at.

(2) It should be seen that:

- (i) the schedule of rates is up-to-date and sanctioned by competent authority;
- (ii) it is supported by detailed data; and
- (iii) the rates paid in the month of test audit in respect of bills not covered by agreements and muster rolls do not exceed the schedule rates.

3.31 Accounts of interest bearing securities

(1) In addition to the checks prescribed in paragraph 46 of the Secret Memorandum, the accounts of interest bearing securities should be examined to see that the security deposits are covered by a proper bond or agreement setting forth the conditions under which the security is held (para 15.2.1 of KPWA Code);

(2) In the case of Government securities deposited with the Divisional Officer against contracts, it should be seen that the securities stand in the name of the depositor and that the contract or other documents executed by the depositor conveys authority to Government to appropriate or cancel the securities if the contract is not fulfilled. Care should be taken to see that particulars of the Government securities, such as number, loan and amount, which are deposited against due performance of a contract are mentioned in the contract or other document executed by the depositor;

(3) When securities are deposited on behalf of a firm or incorporated company, it should be seen that: -

- (i) the securities stand in the name of the firm or company as the case may be;
- (ii) the person who has signed the contract had the requisite authority to bind the firm or company;
- (iii) the necessary documents authorizing the person who has signed the contract or bind the firm or company has been filed or registered with the Public Debt Office.

(4) The endorsement on the Government Securities should also be examined in the light of instructions contained in Chapter V of the Government Securities Manual and it should be seen that all the endorsements and not merely the last endorsement are regular, that the title of the depositor or other person from whom the security was received is absolutely clear.

(5) The Treasury Savings Bank Pass Books should be examined to see that:

- (i) they are hypothecated to the Divisional Officer;

- (ii) they are sent to the Treasury at the close of every financial year for interest being added to the accounts;
- (iii) they are kept in the custody of the Officer to whom the deposits are pledged (vide para 15.2.4 of KPWA Code) and Government paper tendered as a security should be taken at its market value at the time of deposit and in the event of its subsequent appreciation or depreciation in value, a readjustment should be made, if necessary, subject to the provisions in paragraph 15.2.2 KPWA Code.

3.32 Deposit Register

During local audit, the Register of Deposits maintained by the Division should be checked, detailed check being done in respect of the selected month.

It should be seen that:

- (i) reference to agreements of security deposits is quoted in the deposit register;
- (ii) there is no avoidable delay in the adjustment of long standing items;
- (iii) the deposit registers are properly maintained and correctly posted and reviewed monthly;
- (iv) notes regarding refunds are duly made and attested; and
- (v) balances tally with the schedule sent with monthly accounts.

3.33 Workshop Accounts

(1) If there is a workshop in any of the Public Works Divisions for the repairs to tools and plant or for small manufacture jobs, it should be seen that the accounts of works executed are maintained in the forms prescribed for repair works or for manufacture operations, as the case may be. In the case of larger shops, however, the system of accounts followed should be carefully reviewed to see that:

- (i) it is in accordance with the procedure prescribed by the Government in consultation with the Accountant General;
- (ii) it is suitable; and
- (iii) the performa accounts are maintained with reasonable accuracy.

(2) in the case of workshops running mainly for departmental purposes it should be seen that the accounts are kept in accordance with the general rules and principles laid down in Chapter 14 of KPWA Code. Whatever be the system of accounts or the procedure to be observed, the annual proforma accounts should be subjected to a close scrutiny to see that the capital account, the out-turn account and the profit and loss account do not indicate any financial irregularity or laxity of control.

3.34 Suspense Register (Miscellaneous Works Advance)

The Divisions are required to send a list of items outstanding for more than six months to Central Audit along with the monthly accounts for September and March. The completeness of the list should be test checked during the local audit by examining the Suspense Register relating to “Miscellaneous Works Advances”.

It should be seen that action to clear the unsettled items is adequate. Reasons for the delay in clearance of old outstanding items should also be investigated and commented upon in the Inspection Report. In respect of balances under the head “Expenditure incurred on deposit works in excess of amounts deposited”, it should be ascertained that the Divisional Officer has taken action to realize the amount from the respective authorities without undue delay. Items outstanding under “losses, retrenchment, errors etc”, should be specially checked with the relevant correspondence.

3.35 Scrutiny of outstanding under Cash Settlement Suspense Account/Item Adjustable by PWD

Large amounts of CSS/IAPWD remain outstanding in most of the Divisions and the State balances under the two heads get swelled as the years pass by. The local audit parties may, therefore, conduct a thorough check of

these during local audit. Some guidelines for scrutiny of the outstanding items under CSS/IAPWD are given below:

(1) **Outstanding under C.S.S**

(a) **At the originating Division**

- (i) The basic record at the originating Division viz., Division-wise registers of transactions adjusted under the head “Cash Settlement Suspense Accounts” (Form I of Appendix 8 of KPWA Code) should be scrutinised closely to see whether the instructions in the code are strictly adhered to. It may be particularly seen that all transactions have been recorded with sufficient details in Part I of Form I Division-wise and the abstract prepared in Part II. The Divisional Officer is expected to review the register monthly with a view to seeing that the settlement is not unduly delayed;
- (ii) there are instructions for settlement in stages of transactions in March. Accordingly, claims from 1st to 15th March are to be preferred before 20th March and those from 16th to 23rd March before 25th March. It may be seen whether instructions have been followed;
- (iii) the outstanding items are expected to be analysed by the Divisions and special steps are to be taken for speedy adjustment. Correspondence regarding settlement of outstanding items may be closely scrutinised to ascertain whether action taken is adequate and whether the non-adjustment is the result of non-receipt of stores, bogus issues, short delivery, delayed delivery etc. Each such case where fraud or other serious irregularity is suspected

should be subjected to further investigation at the originating Division itself.

The source document for supply of stores is the triplicate copy of the indent kept in the supplying Division which should bear the pass order of the stores officer and the signature of the officer receiving the materials as well as the person to whom they are delivered or his authorized agent (vide Para 7.2.11 of KPWA Code and Note 1 there under) Para 12.9.5 of the KPWD Manual also prescribes that the custodian of stores should prepare gate passes; one copy of the gate pass would have been handed over to the gateman after the check of the articles allowed to be taken out. This copy as well as the original copy retained in the store must be available for verification at the store. Each store is also required to have a list of officers authorized to indent on it and keep a specimen signature of each of those officers for reference. In all cases where serious irregularity is suspected, the party may compare the signature in the triplicate copy of the indent with the specimen signature. It may also be seen whether the system of issue of stores on sanctioned indents is enforced (para 12.9.1 of KPWD Manual).

In all cases where the amount is large and fraudulent issue is suspected, the party may after collection of all relevant data from the originating Division proceed to cross verify the receipt of stores at the receiving Division, if the latter is stationed in the same town or locality. In all other cases, where such cross verification is not possible, the party may make a report to Headquarters section confidentially for arranging a cross verification and this report should invariably contain, complete information regarding Indenting Officer, number and date of indent, full description of stores, quantity, value, date of issue, name of person to whom delivered, vehicle number, gate pass number etc. (please also see para 12.9.5 of KPWD Manual).

- (b) **Responding Division:** In respect of outstandings under CSS claims, the following documents will be available in the responding Divisions:
- (i) Register of claims received (Form 3 of Appendix 8 of KPWA Code).
 - (ii) Original claim in form I, Part I of Appendix 8 of KPWA Code.
 - (iii) Office copy and duplicate copy of stores indent raised by responding Divisions.
 - (iv) Measurement Books for supply of stores for specific works (Para 10.2.9 of KPWA Code).
 - (v) Unstamped but dated acknowledgements detailing full particulars of materials issued to contractors referred to in para 10.3.6 of KPWA Code; and
 - (vi) One copy of the gate pass which would have been handed over to the indenting office of his authorized representative at destination (vide para 12.9.5 of KPWD Manual).

The outstanding items will have to be traced out from the register of claims and with the help of particulars available in the indents, gate pass and the original claims in Form I, Part I, the entry in the Measurement Book, the accounting of materials in the MAS Account of the Work and the contractor's ledger in respect of (materials issued to contractors) or in the Goods Received Sheet and in the Priced Store Ledger (in respect of materials received for store) can be traced depending upon whether the material was received for issue to work direct or for the purpose of stocking.

- (c) Checking and linking the Division-wise Register of transaction adjusted and Register of claims received in the originating and responding Divisions to ensure whether these

registers are properly maintained and adequate action taken to watch/settle the claim as provided in Appendix 8 of KPWA Code. C.S.S accounts of stores and construction Divisions should be subjected to intensive checking to see whether in respect of selected items of heavy outstanding, the stores/services have actually been supplied and accounted for by the originating Division and received and accounted for by the responding Division should be linked in the office of the originating Divisions to find out particularly if there has been any false and fictitious transfer or abort receipts and fraudulent payments involving substantial value. Any deficiencies/shortcoming noticed during such inspection specially involving losses of stores, falsification of accounts, distortion in appropriation account etc., should be highlighted in the inspection report.

(CAG's Circular N. 2-AC III/88/No. 1189/AC III/168-88/ 30-12-88 CASS (W) file 1(b)/15-630)

Note: The Suspense Head CSS Account was discontinued and Cash and Carry System was introduced with effect from 1.4.1998 for inter-Divisional transfer relating to services rendered or supplies made.

(G.O(P)No.861/98/Fin dated 7-3-1998 and Circular GOK No. 83/98/Fin dated 15-12-1998).

- (2) **Items adjustable by PWD:** In respect of items adjustable by PWD, the Divisions maintain a register of advices received from the Accountant General to record particulars of originating debits/credits under IAPWD. As a first step by way of investigation of the outstanding, the party may arrange for the Advice memos with supporting invoices and vouchers being traced. Thereafter, the particulars of stores, R.R. Number, date of receipt etc, should be ascertained from the vouchers accompanying the advice from the Accountant General and the accounting of stores traced into the works account or the priced store ledger as the case may be.

(3) **Accounting adjustment:** When stores are purchased for specific works and can be identified *ab initio* as such, the expenditure may be debited directly to the work concerned.

When stores are purchased for general purpose, the value of stores should be debited to the relevant sub-head under stock by per contra credit to the suspense head Materials Purchase Settlement Suspense Account under the Major Head 8658 Suspense Account. When payment is made it is debited to Material Purchase Settlement Suspense Account clearing the credit under this Suspense Head. Payments made in advance for stores ordered should be debited to the sub-head advance payments under the suspense head 'Stock'. When the materials are subsequently received, the value of store is debited to the sub-head of stock concerned by credit to Material Purchase Settlement Suspense Account as already stated. Finally when the bill is received and the transaction is settled, the debit under Advance Payment will be cleared by a debit to Materials Purchase Settlement Suspense Account for the total amount.

(G.O.(P) No. 6/89/PW&T/30-1-89)

When the C.S.S claim or an IAPWD item has not been settled by the Division after the receipt of the stores, the amount should be outstanding under the suspense head Material purchase Settlement Suspense Account of the Suspense head within the account of the work as the case may be. The Divisions are also expected to maintain a register of outstanding liabilities for watching prompt clearance of the outstanding items (vide para 13.2.5 of KPWA Code). It should be seen whether those instructions are being followed.

To sum up, it should be possible for the local audit party, as a part of its routine duties to see not only that the codal provisions are strictly complied with but also to bring to light cases of fraud or other serious irregularity hidden in the outstanding CSS/IAPWD items. The Inspecting Officer should also impress upon the Divisional Officer, the necessity of adjusting the outstanding items expeditiously. When a complete probe into the suspected case of fraud or other serious

irregularity is rendered difficult, the Inspecting Officer should write confidentially to the Group Officer detailing all the available information and suggesting further course of action.

3.36 Land Acquisition

Cost of land acquired for works is debitable as cost of works in the works accounts. So also, cost of special establishment employed on such land acquisition – vide para 17.13 and Note 2 below para 10.1.3 of KPWA Code. The Kerala Land Acquisition Manual *inter alia* lays down the procedure to be adopted for land acquisition. Some procedural instructions to the PWD Officers for land acquisition are also contained in Chapter XI of the KPWD Manual. The following are some of the points to be seen during inspection of PW Offices:

- (i) Whether Revenue Department has been moved sufficiently in advance of starting a work so as to avoid suspension of the work in the middle, delays in execution, disputes with contractors, extra expenditure etc., at a later stage due to non-availability of land.
- (ii) Whether valuation of the buildings and other structures by PWD for fixing land compensation has been done without undue delay in accordance with the instructions contained in para 11.7 of the KPWD Manual.
- (iii) Whether delay in land acquisition has been due to defective preparation of plans by PWD and sending up of proposals piecemeal.
- (iv) Whether changes in layout and plan during construction rendered the land already acquired superfluous/and how far the expenditure on surplus land was avoidable.
- (v) Whether there is sufficient justification for advance possession of land and consequent payment of interest.
- (vi) Whether land has been acquired in excess of actual requirement or has been acquired permanently when temporary occupation

only was sufficient for the purpose; also whether the land acquired remained unutilized for long periods.

- (vii) Whether there was any wrong selection of site for acquisition either wholly or in part causing infructuous expenditure.
- (viii) How the surplus or unutilized land has been disposed of.
- (ix) Whether a copy of the award settlement in Form A has been received from L.A Officer by the officer who applied for the acquisition (Note below Rule 1 of Appendix III to the Kerala Land Acquisition Manual).
- (x) Whether the land compensation payments advised by the Treasury by debit to the remittance head "P.W. Remittances III Other Remittances-Items Adjustable by PWD" has been duly adjusted in the accounts of the work under the sub-head of the sanctioned estimate and the remittance head has been relieved of the debit.
- (xi) That every payment adjusted in the works accounts can be linked with the award statement received from the Land Acquisition Officer and identified as pertaining to the land acquired for the work.
- (xii) Whether the land acquired has been duly and promptly taken possession of by the PWD and the particulars of land with date of taking possession reported at once to the Accountant General as prescribed in Rule 2 of Appendix III to the Kerala Land Acquisition Manual.
- (xiii) Whether there is an account of improvements taken possession of from the Revenue Department and whether disposal of improvements and dismantled materials from buildings and structures, if any, has been effected following the prescribed procedure and to the best advantage of Government; that sale proceeds, if any, have been accounted for and credited to Government.

- (xiv) Whether the revenue receipts, if any, such as sale of usufructs, sale of trees, licence fee for buildings, etc., have been accounted for.
- (xv) As regards cost of special land acquisition staff whether the expenditure is a legitimate charge on the work, that there is no diversion of staff for other purposes at the cost of the work for which the staff was sanctioned and that there is no unnecessary retention of the special staff after the land acquisition is completed.

3.37 Register of Executive Engineer's Check Measurements

It should be seen that: -

- (i) a register of check measurements by Executive Engineer is maintained in the Division and that the number of check measurements does not fall short of 50 per annum. It should be seen that the work taken up for check measurement should be those costing above Rs.2 lakh, to the extent such works are in progress. In respect of each work check measured at least 25% of the value of work executed till date of check measurement should be check measured by the Executive Engineer (vide para 284 of KPWD Code as amended by GO(P)/71/80/PW/11-5-80 and para 10.2.15(ii) of KPWA Code).
- (ii) the check measurements are made as frequently as possible and that they are not confined to any particular season or months and are not rushed at the end of the year merely to bring the number to the bare minimum of 50.

3.38 Register of Contractor's Bills

It should be seen that:

- (i) it is reviewed regularly by the Divisional Officer at frequent intervals.

- (ii) there are no undue delays in the disposal of bills over the periods prescribed in para 10.2.3 of KPWA Code, and
- (iii) payment of bills for work done is not delayed for want of sanction to revised estimate or work slip or similar reasons.

3.39 Register of Manufacture

- (i) A separate detailed account in form KPWA 40 is maintained for expenditure on each manufacture (either for stock or for specific work) and for the quantities and values of the products in 2 sections known as the operation and out-turn accounts.
- (ii) An out-turn account is attached monthly to the works abstracts for the operation (para 12.3.2 of KPWA Code).
- (iii) The rates for valuing manufactured articles are fixed to represent as accurately as possible the actual cost of manufacture per unit but not exceeding the market rates (para 12.3.3 of KPWA Code).
- (iv) The accounts are closed, as soon as the operations are closed or at least once a year and that before doing so, the difference between the operation and the out-turn is adjusted under the orders of competent authority (paras 12.1.1 and 12.4.3 of KPWA Code).
- (v) In case of loss, the causes are duly investigated and reported to the competent authority.
- (vi) In the case of departmental manufacture of bricks, such manufacture on Government land is done only if the bricks cannot be purchased at reasonable price and such manufacture is done only in properly arranged brick kilns and even then every endeavour is made to secure a contractor to manufacture bricks of a special quality and size at an agreed rate.
- (vii) The charges under “Land and Kilns” etc., in connection with each manufacturing operations extending over more than one season are adjusted by debit to the manufacture account in suitable instalments as fixed by the authority sanctioning the initial charges (para 12.2.2(b) of the KPWA Code).

(viii) The aggregate of differences between outlay and outturn on all manufacturing operations as per Register of Manufacture agrees with the net debit to manufacture in Part I of the Stock Account; and

(ix) The debits to “Land and Kilns” on account of cost of acquiring and opening up a quarry are correct with reference to the rules in paragraph 7.4.5 of the KPWA Code and that they are properly cleared.

3.40 Register of Review of Measurement Books by Divisional Accountant

It should be seen that:

- (i) there is a uniform flow of books to the Division Office for review;
- (ii) all the books in use in a sub Division in a year are entered in the Register for the year;
- (iii) due dates have been fixed by the Executive Engineer for receipt and return of measurement books;
- (iv) all the books in use have been subjected to a 25 percent check; and
- (v) a register is maintained in the sub Divisional office also for noting the progress of receipt, review and return of measurement books.

3.41 Register of Sanctions to Fixed charges and Miscellaneous Sanctions

Besides the general scrutiny of the Register, sanctions to fixed charges and miscellaneous sanctions should be checked with reference to sanctions and vouchers of one selected month to see that the sanctions to be entered under para 22.2.6 of the KPWA Code are noted as they are accorded, that the expenditure incurred against sanctions is regularly posted and that there is no irregularity.

3.42 Treasury Pass Books

It should be seen that

- (i) there are no undue delays in sending the pass books to the Treasury and their return (Para 22.3.3 of the KPWA Code).

- (ii) the monthly certificates of agreement prescribed, in para 22.3.1 of the KPWA Code, have been signed by the Divisional Officer; and
- (iii) the identify and the amounts of the cheques entered as cashed in the treasury pass book are examined by the Divisional Accountant and the pass book initialed and dated by him in token of this check (Note I under para 22.3.1 of the KPWA Code).

3.43 Register of Special Recoveries

The Register of Recoveries in KPW Form 87 prescribed in paragraph 22.2.10 of the KPWA Code should be examined to see that:

- (i) the register is properly maintained and regularly reviewed;
- (ii) orders regarding recoveries to be made from contractors or other persons which cannot be watched through a suspense of other account are promptly entered in the register;
- (iii) in the case of works the accounts of which are not kept by sub heads, credits anticipated in the estimates for works, for recoveries of expenditure etc., are posted in the register immediately on receipt of sanctions to estimates;
- (iv) the timely realization of each item is carefully watched; and
- (v) there is evidence on record that all marked deviations from the provision for credits in the estimates of works were fully investigated.

3.44 Register of immovable and landed Government properties (Buildings and Lands)

The Register prescribed in para 9.5.4 of the KPWA Code should be generally scrutinised with a view to seeing that: -

- (i) the register is kept in the prescribed form;
- (ii) the cost of land is shown therein separately from that of the buildings or buildings thereon;
- (iii) the register is kept up to date; and

- (iv) the cost of residential buildings has been recorded up to date correctly and there is no omission in posting supplementary estimates/expenditure on additions or alterations from time to time; and that
- (v) periodical revision of standard licence fee is carried out correctly by the competent authorities on the basis of up to date figures of expenditure in the Register of buildings;
- (vi) during local audit of the offices of Superintending Engineer or Chief Engineer, the basis of fixation of percentage of maintenance estimates for annual maintenance and repairs should be scrutinised to see whether it is satisfactory. At the time of inspection of the Division, it should be seen whether the maintenance charges on the buildings are within the prescribed percentages.

(CAG's Lr. No. 1231-Tech.Admn. II/95-67 dated 21-7-1972 – File WM-II/8-1/Vol VI).

3.45 Register of Appropriations

It should be seen that:

- (i) distribution of lump sum appropriations placed at the Divisional Officer's disposal by individual works or by Sub Division is clearly shown in the register; and
- (ii) in connection with the arrangements for regulating and controlling the expenditure in accordance with appropriations, the orders contained in paragraphs 5.3.1 to 5.3.5 of the KPWA Code are observed in practice and that proper arrangements exist for watching the progress of expenditure with a view to taking early steps for obtaining extra funds or surrendering probable savings as may be necessary in each case. It should also be seen that a 'Register of Transfers Awaited' is maintained in Form KPW 54 for the registration of all liabilities and assets adjustable by transfer credit or debit to remittance

heads of account or otherwise as indicated in paragraph 5.3.4 of KPWA Code.

3.46 Codes and other books of references

The Codes etc., received for office use as well as those supplied to the Divisional Accountant as his personal copies should be generally examined to see that they are correctly posted up to date.

3.47 Nominal audit of pay and allowances and checking of Service Books

The nominal audit of pay and allowances drawn for individuals will be conducted during local inspection of the Divisions/Offices in the manner and to the extent indicated in secret office orders No. 47 Co-ordination.I/11-41 A/42 dated 25-10-1980 and No. 7 Co-ord (Aud) II-41 A/84-85/457 dated 29-10-1984. Apart from the nominal audit, the existing checks on the establishment vouchers for selected months, the service books and the leave accounts will be continued to be exercised. The Inspecting Officers should include in a separate para of the I.R. or T.A.N the result of such checks. The Title Sheet of the I.R. should indicate clearly the checks exercised and include a certificate to that effect, in respect of nominal audit, audit of increment certificates, pay fixation on promotion/reversion, check of service books and leave accounts, check of office copies of bills and acquittance rolls. Cases where nominal audit could not be conducted for want of S.Bs (in respect of the Division as well as all sub Divisions under it) may be brought out prominently in the I.R. with reasons for non-production and the percentage of such cases to the total number of cases to be checked, indicated.

(Circular No. OA I/GI/2-17B/79-80/209 dated 4-12-1980)

At the time of local audit, particular care should be taken to see that service books to the extent prescribed (vide para 5.02 of the OAD Manual) including therein those of the Government servants who are due to retire during the next five years are checked by ascertaining from the Division the names of such persons. All service books so checked should bear an audit enfacement duly signed by the Inspecting Officer/Assistant Audit Officer/ Section Officer in charge of the Audit Party. The signature should be dated.

Note: The Service Books of all work establishment personnel and N.M.R. workers of the PWD due to retire within the next five years should be checked completely during the audit of the Division and a certificate of check recorded over the dated signature of the A.A.O/Section Officer/Inspecting Officer in charge of the Audit Party. A separate para on the results of verification should be included in the Inspection Report.

(Circular No. 122 dated 9-6-1969 of W.M. Section File W.M. II/15-121/E/68-69)

3.48 Fraudulent drawal of pay and allowances

While bringing to notice some cases of fraudulent drawal of pay and allowances and contingent bills in other states, Headquarters office has instructed to exercise extra care and vigilance by Central and Local Audit Groups to prevent similar and other frauds. Field parties may pay special attention in the audit of pay bills by cross checking entries in pay bills with attendance registers/acquittance rolls/Register of Service Books, Register of sanctioned posts, GPF/GIS Account members and such other relevant records and information.

(Headquarters Circular No. 9-AC II/1999 dated 29-9-1999 and Note No. Co-ordn (Au)/II./5-GI/99-2000/253 dated 15-10-99)

3.49 Special Checks to be exercised:

(1) Unreal payments:

- (a) This irregularity can be easily detected in the audit office by noting instance in which acquittances are not received with the accounts and ascertaining the cases which lead to the delay in their submission. The facts ascertained should as far as possible be verified at the time of the inspection e.g. if it is urged that a contractor was not present at the station for receiving payment, his ledger account may be consulted and it may be seen if payments for any other works were made during the same period. If in such a test it is found that there was an attempt to hold over the payment deliberately, it

should be seen (see subsequent paras) if the work was really carried out before the cheque was drawn.

- (b) In some cases stamped receipts are sent by firms in advance of the dispatch of stores. But bank drafts are sent to them long after the stores are actually received. An inspection of the local records connected with the procuring of bank drafts will readily reveal such irregularities.

(2) **Payment for work not done:** The schedule of work expenditure for the month shows the expenditure in March and for the whole year. From this, a list should be made of all items in which the proportionate expenditure in March has been unduly high. The high expenditure may be either cash payments or stock expenditure.

- (a) **Stock:** The original records of stock transactions should be consulted to see how far the stock transactions in the accounts are bona fide. The indents for the stores issued should be inspected so as to ascertain the dates of issue of the indents. The actual date of receipt of stores at site can be ascertained from the entry in the appropriate column in the receipts for stores sent and can be checked with the dates on which payments are recorded for the incidental charges, if any, such as centage and freight charges. Such a check should bring to light all cases in which stock is shown as issued for the purpose of working up to grants.
- (b) **Cash:** The cash vouchers should be examined with reference to the recorded measurements to see whether the date of recording of measurements is correctly shown. Sometimes it will be found that unduly large number of measurements would have been recorded by the same officer in a given time. In such cases, it should be verified from the T.A. bills and other records

whether the officer recording the measurements was actually present at the place of work.

The work shown as measured should also be verified as far as possible with the progress reports locally.

(3) Payments for materials

- (a) The cash payments may also be for 'materials' supplied in which case the following additional checks may be applied. The materials may be kept "at site" and a regular account may be maintained. In such cases, the successive "site" accounts should be scrutinised to see when the materials were actually used. In some cases actual loss (especially for perishable stores) may be noted in these accounts. Such instances should be pointed out.
- (b) If the articles are not kept "at site" and the payment forms an advance to contractors for supply of materials, subsequent measurement books should be looked into to see when the materials were actually used.
- (c) In the case of materials purchased, it should also be seen if they were provided for in the estimates. Instances are not uncommon in which, stores are charged off to some estimate in which there is a saving, this debit being relieved as the stores are being used up in other works.
- (d) The rates at which these heavy payments are made should also be scrutinised locally to see that rates higher than what are justified are not passed.
- (e) The transfer entry orders should be scrutinised and all facts clearly ascertained. If any transfer of material is involved, the same check should be applied locally in verifying the transactions as in the case of stores supplied. The actual date of transfer should be

ascertained and verified with the dates on which centage and other charges, if any, were incurred.

- (f) In the case of large workshop debits, the facts concerning the dates on which the orders were placed with the shops, whether the articles were actually manufactured and dispatched should be verified from local records. This would bring to light adjustments made in anticipation of supply with a view to avoiding lapse of grants.

3.50 Accounts relating to Family Benefit Fund Scheme

As per order No. (P) 405/77/Fin. Dated 19-10-1977, Government of Kerala has introduced a Family Benefit Scheme for the Government employees (except NMR., daily workers on monthly wages, etc.). The transactions are to be accounted for at treasury under the head "8011 Insurance and Pension Fund 102 Family Pension Funds Family Benefit Scheme". All Drawing and Disbursing Officers will maintain a Register-cum-Broadsheet in the form prescribed in G.O(P) 412/78/Fin dated 11-4-1978 to note the monthly subscription made by each employee and payments made as per the register will be reconciled every month with the treasury figures and the reconciled figures attested by the Drawing and Disbursing Officer. In the case of P.W Department where the system of paying salary by cheque is in vogue, the transactions representing the deductions from bills and remittance thereof for transfer credit at the treasury will be routed through PW Deposit in the monthly accounts of the Division. Their final accounting under the prescribed head of account will be at the treasury only. Payments from the Fund will also be made at the treasury only on presenting of bills by the Drawing Officer. Separate cash book in Form TR 7A and a bill book will be maintained in the PW Offices to account for the presenting of claims at treasury and for accounting of the amounts till their disbursement to the payee. During inspection of the PW offices the above documents should be checked in detail and points, if any, included in the I.R. /T.A.N.

(Circular No. 7 WM-II/15-507 A dated 3-1-1979)

3.51 Group Insurance Scheme

A Group Insurance Scheme called the Kerala State Employees Group Insurance was introduced with effect from 1-9-1984 as per GO(P) 392/84/Fin dated 9-8-1984. The scheme is governed by Kerala State Employees Group Insurance Scheme Rules 1984 and Group Insurance Accounting Procedure issued in GO(P) No. 371/85/Fin/8-7-1985. The subscriptions are to be credited to 8011 Insurance and Pension Funds, 105 State Government Insurance Fund. The membership of the scheme shall be optional for all those employees who are in service as on 1-9-1984 and compulsory to those who join in service on or after 1-9-1984. Those employees who are in service on 1-9-1984 shall continue to subscribe or cease to subscribe to Kerala Family Benefit Fund with effect from 1-9-1984. Those who cease to subscribe to Family Benefit Fund should get themselves enrolled as a member of Group Insurance Scheme from that date. All employees who enter in service in a month other than September 1984 after the scheme has come into force shall be enrolled as members of the scheme on the anniversary of the scheme. Those joining in September will be enrolled immediately (Government in GO No. 15/87/Fin/16-3-1987 has directed that deduction @ Rs.3 per unit should be effected from the salary of the employees who join in service after 1-9-1984 but not enrolled in the scheme as per Rule 6 of Group Insurance Scheme Rules and deducted at the rate of Rs.10 per unit be made from September and full membership given from that month).

Government have reclassified the scales of pay of all groups and revised the rates of subscription to the scheme as under from 1-9-1999:

(G.O(P) 1862/99/Fin dated 20-9-1999)

	Classification	Group	Amount (Rs.)
1.	Rs.10,000-15,150 and above	A	200.00
2.	Rs.6,500-10,550 and above but below Rs.10,000-15,150	B	150.00
3.	Rs.3,050-5,230 and above but below Rs.6,500-10,550	C	100.00
4.	Rs.2,610-3,680 and above but below Rs.3,050-5,230	D	50.00

(Subscription for the scheme shall continue to be units Rs.10/- per month)

PW parties are required to

- (1) check the office copies of the schedules attached to the pay bills in respect of the selected months with reference to the pay bill for that month.
- (2) check the nomination pasted in the service book at the time of checking of service book.
- (3) check whether the details of the group as well as the date of commencement of subscription etc., are being noted promptly in the LPCs of the subscriber at the time of transfer.
- (4) check whether the payments from the funds are covered by proper sanction of the Directorate and the accounts shown in the bills are correct and whether the amounts are properly disbursed to the parties concerned.

(Co-ord (Au) 11/7-109/348/29-7-1987)

3.52 System Audit

In order to improve the quality of local audit, sufficient emphasis should be laid in a system approach. At present, the conduct of Government business and financial administrative procedures are governed by various rules and regulations as well as procedural instructions issued by the Government and the Heads of Department. These regulations also prescribe certain control mechanisms through periodical returns and reports to be submitted to departmental supervising officers at higher levels to monitor the observance of rules and regulations.

During local audit, the parties may review whether the rules and regulations require any change with reference to the existing situation and to make concrete suggestion therefor. In regard to rules and regulations which are in vogue and are current, the local audit parties may examine whether these rules and regulations are actually being followed. Where any large scale defaults in observance of the rules are noticed or in case where the parties come across cases of obsolescence on any of the rules and regulations, the parties may report upon such cases in adequate detail.

When new schemes are operated on or new organizations are set up, it will be particularly necessary for audit, to enquire the question of prescribing proper rules and regulations in financial and procedural matters, elicit information regarding control mechanism built in these rules and check through local audit parties the actual observance of the prescribed rules and regulations by the subordinate formation of the department. Where fresh rules or regulations have been prescribed by Government for any new schemes, it should be seen whether these covered all the areas which will not get covered by the existing rules/regulations.

The working of the system and procedure in the Public Works Department will afford sufficient materials for a meaningful system review. The existence or otherwise of a self checking control mechanism to monitor the observance of procedures and the time factor in the different process may have to be specifically studied during the review of the system. A special report on system audit should be sent along with each Inspection Report. Any other important and interesting points which come to notice as a result of the review may also be incorporated in the Special Report.

(CAG's letter no. 692/O&M/7-8/IV/5-8-82 and WI HQ/1/System Audit/82-83/21-2-1983)

3.53 Audit of Internal Control Mechanism

Internal Controls are the whole system of controls, financial or otherwise established by the management in order to carry on the business of the organization in an orderly and an efficient manner, ensure adherence to management policies, safeguard assets and secure, as far as possible the completeness and accuracy of records. Internal Controls broadly consists of the control environment and control procedures. While the former reflect the attitude and commitment of the management towards running the organization, the latter are the processes established to reassure that the specific objectives of the organization are met. The control procedures can be broadly categorized as preventive, detective, corrective, directive and compensating controls. Preventive controls are those that are established in order to avoid errors from occurring. Detective controls are procedures that help to identify errors that have occurred and prompt investigation in to the errors. Corrective controls are the checks and actions that fix errors once they

have been discovered. Directive controls fashion management behaviour and decisions and also the organization policy and activity. Compensating controls duplicate processes and act as a backup for system shortcomings and seek to minimize risk exposure.

For control procedure to work in the fashion envisaged, the various functionaries in the organization must perform their jobs correctly. Errors of judgement or misinterpretation, negligence and the like can undermine the effectiveness of internal control. More serious impairment can arise out of abuse of authority or from collusion between functionaries to circumvent controls for perpetrating fraud. Therefore, the mere fact that the internal controls are in place is not enough. The internal controls must be periodically assessed for their adequacy and to ensure that they are being adhered to in the manner envisaged.

The Indian Auditing Standards require that deficiencies in internal control be reported upon. Therefore while evaluating the internal control system of a department, the audit scrutiny should be focused on effectiveness of the system in enforcing the adherence to various control measures envisaged in the Rules and Regulations, Codes, Manuals etc. Some parameters are suggested below:

- 1) Organization of Internal audit functionaries, independence enjoyed by the internal audit wing.
- 2) Internal Auditing Standards set by the Government
- 3) Responsibilities and Duties of Internal Audit Organization
- 4) Training of Audit personnel
- 5) Planning of Internal Audit: whether based on risk indicators corroborated through risk analysis.
- 6) Adequacy of coverage and periodicity of the Audit
- 7) Inspection Report issued by Internal Audit, timeliness of responses to the audit observations and volume of pendency.
- 8) Pending in Internal Audit coverage.
- 9) Overall effectiveness of Internal Audit in terms of

- i) Departmental compliance to internal audit observation
 - ii) Systems corrected at the instance of Internal Audit
 - iii) Recourses and penal actions undertaken at the instance of Internal Audit, and
 - iv) Quality of checks exercised: Evaluation of the parameters
- 10) Special Audits done by Internal Audit Wing - outcome

It should be borne in mind that Internal Control is not one event, but a series of actions and activities that occur through an entity's operations and on an ongoing basis. Internal Control should be recognized as an integral part of each system that management uses to regulate and guide its operations rather than as a separate system within an agency.

The field parties auditing Public Works offices should conduct an evaluation of internal control mechanism/Internal Audit during local audit. A questionnaire on Internal Control Mechanism has been devised for the guidance of the parties as given in Annexure-II to this chapter. On the basis of the questionnaire, an evaluation of the Internal Control Mechanism should be included as a paragraph in the Inspection Report.

(HQrs. DO No.1158-Rep(S)-237-2003 dated 01.09.2003 & Circular No.IAU(Works)/I(b)/AR/2003-04 dated November 2003)

At the instance of Audit, Government in Finance Department issued circular to all Head of Departments and offices detailing measures to be taken to strengthen Internal Audit Wing and Internal Control Mechanism.

(Circular No. 32/2005/Fin dated 10-6-2005 of Finance (IAEA) Department, Government of Kerala).

3.54 Code of Ethics and Auditing Standards

1. Auditing standards prescribe the norms of principles and practices the Auditors are expected to follow in the conduct of audit. These are separately published and periodically up dated. The Auditor must exercise due care and concern in complying with the Auditing Standards.

(Vide Para 2.1.2 of MSO (Audit))

2. The International Organization of Supreme Audit Institutions (INTOSAI) in its XVII Congress in Seoul 2001 set some Code of Ethics

together with Restructured Auditing Standards. The Comptroller and Auditor General of India has issued the restructured Auditing Standard in March 2002.

3. The international Code of Ethics is a comprehensive statement of the values and principles which should guide the daily work of Auditors. The independence, powers and responsibilities of the public sector Auditors place high ethical demands on the Supreme Audit Institution (SAI) and the staff they employ or engage for audit work. A code of ethics for Auditors in the Public Sector should consider the ethical requirements of Civil Servants in general and the particular requirements of Auditors, including latter's professional obligations.

The code details about the requirement of qualities for Auditor such as trust, confidence, credibility, integrity, independence, objectivity, impartiality, political neutrality, avoidance of conflicts of interest, professional secrecy, competence and professional development. Details of these are given in the "Code of Ethics" issued by the Auditing Standard Committee. Some hints are given under for the guidance of field parties.

- (i) Auditors should conduct themselves in a manner which promotes co-operation and good relations between auditors and with in the profession.
- (ii) It is essential that the reports and opinions of the SAI are considered to be thoroughly accurate and reliable by knowledgeable third parties.
- (iii) Auditors have a duty to adhere to high standards of behaviour (eg. honesty and candidness) in the course of their work and in their relationships with the staff of audited entities. The conduct should be above suspicion and reproach.
- (iv) Independence from the audited entity and other outside interest groups is indispensable for Auditors. The independence of Auditors should not be impaired by personal or external interests.
- (v) Conclusions in opinions and reports should be based exclusively on evidence obtained and assembled in accordance with the SAI's Auditing Standards.

- (vi) Auditors should not disclose information obtained in the auditing process to third parties, either orally or in writing, except for the purpose of meeting the SAI's statutory or other identified responsibilities.
- (vii) Auditors have a duty to conduct themselves in a professional manner at all times and to apply high professional standards and must not undertake work they are not competent to perform.
- (viii) Auditors have a continuous obligation to update and improve the skills required for the discharge of their professional responsibilities.

4. Auditing Standards

The INTOSAI Auditing Standards as adopted by CAG of India consists of four parts

- (a) Basic Postulates
- (b) General Standards
- (c) Field Standards
- (d) Reporting Standards

These standards are developed to provide a frame work for the establishment of procedures and practices to be followed in the conduct of an audit. They should be viewed in the particular constitutional, legal and other circumstances of the SAI. Interpretations and explanations of these standards are the prerogative of the INTOSAI Governing Board, while amendments are the responsibility of the INTOSAI Congress.

Auditors are required to follow the various stipulation formulated in toto. Some of the most important items are detailed below for the guidance of the field parties.

- (i) The SAI should apply its own judgement to the diverse situations that arise in the course of Government auditing.
- (ii) With increased public consciousness, the demand for public accountability of persons or entities managing

public resources has become increasingly evident so that there is a need for the accountability process to be in place and operating effectively.

- (iii) The existence of an adequate system of internal control minimizes the risk of errors and irregularities.
- (iv) Audit evidence plays an important part in the Auditor's decision concerning the selection of issues and areas for audit and the nature, timing and extent of audit tests and procedures.
- (v) The terms of the audit mandate with which the SAI is endowed override any accounting or auditing conventions with which they conflict and hence have a crucial bearing on the Auditing Standards that the SAI applies. Consequently the INTOSAI Auditing Standards have a mandatory application to the SAI or members of its staff.
- (vi) The SAIs should also recommend to the audited entities that measurable and clearly stated objectives be established and that performance targets be set for those objectives.
- (vii) The SAI must have access to the sources of information and data as well as access to officials and employees of the audited entity in order to carry out properly its audit responsibilities.
- (viii) The full scope of Government auditing includes regularity and performance audit.
- (ix) SAI should adopt policies and procedures to prepare manuals and other written guidance and instructions concerning the conduct of audits.
- (x) It should be open to the SAI to acquire specialized skills from external sources if the successful carrying out of an audit so requires.

- (xi) SAI should ensure that deviations from standards which are determined to be appropriate are documented.
- (xii) It is necessary that the legislature provide the SAI with sufficient resources for which the SAI is accountable, as well as for the effective exercise of its mandate.
- (xiii) The work of audit staff at each level and audit phase should be properly supervised during the audit and documented work should be reviewed by a senior member of the audit staff.
- (xiv) Competent, relevant and reasonable evidence should be obtained to support the Auditor's judgement and conclusions.
- (xv) The Auditor should plan the audit in a manner which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner.
- (xvi) In conducting regularity audit, test should be made of compliance with applicable laws and regulations. The Auditor should design audit steps and procedures to provide reasonable assurance of detecting errors, irregularities and illegal acts.
- (xvii) The audit findings, conclusions and recommendations must be based on evidence. Since Auditors seldom have the opportunity of considering all information about audited entity, it is crucial that the data collection and sampling techniques are carefully chosen. Evidence should be competent, relevant and reasonable.
- (xviii) Auditors should adequately document the audit evidence in working papers. The content and arrangement of the working papers should reflect the degree of the Auditor's proficiency, experience and knowledge.

- (xix) At the end of each audit, the Auditor shall prepare a written opinion or report, as appropriate, setting out the findings in an appropriate form, its content should be easy to understand and free from vagueness or ambiguity, include only information which is supported by competent and relevant audit evidence, and be independent, objective, fair and constructive.
- (xx) The opinion or report shall be preceded by a suitable title or heading, helping the reader to distinguish it from statements and information issued by others. This should be properly signed and dated.
- (xxi) Auditors should reorganize that their judgement are being applied to actions resulting from past management decisions. Care should therefore be exercised in making such judgements and the report should indicate the nature and extent of information reasonably available to the audited entity at the time of the decisions were taken. Fairness also implies the presentation of weakness or critical findings in such a way as to encourage correction and to improve systems.

3.55 Guidelines for dealing with fraud and corruption

The ASOSAI guidelines for dealing with fraud and corruption are expected to be used as the model for each SAI to its own guidelines. Some of the important items of the guidelines are given below:

- (i) Fraud and corruption have increasingly become important concerns for countries around the world. The role of audit in addressing this concern has come under critical scrutiny. There is an increasing expectation that SAIs should, through concerted action, play an effective role in promoting a culture that values honesty, responsibility and accountability in the exercise of authority and utilization of national resources.
- (ii) Auditors need to be alert for situations, control weaknesses, inadequacies in record keeping, errors and unusual transactions or

results, which could be indicative of fraud, improper or unlawful expenditure, unauthorized operations, waste, inefficiency or lack of probity.

(iii) Fraud involves deliberate misrepresentation of facts and/or significant information to obtain undue or illegal financial advantage. Corruption involves effort to influence and/or the abuse of public authority through the giving or the acceptance of inducement or illegal reward for undue personal or private advantage.

(iv) Fraud and corruption should be perceived independently for their numerous implications and the Auditors should be well aware of the complex correlation between the two.

(v) Fraud may involve manipulation, falsifications or alteration of records or documents, misappropriations/misapplication of assets; suppression or omission of the effects of transactions from records or documents; recording of transactions without substances; misapplications of accounting policies.

(vi) It is useful for Auditors to understand the motivational and organizational/ environmental factors of fraud and corruption. The presence of these factors does not necessarily mean that fraud and corruption have occurred. Rather, awareness of their presences should increase the Auditor's sensitivity to that possibility.

(vii) Split purchases, collusive bidding, price fixing or bid rigging, over and under invoicing, extortion, nepotism and favoritism, loss of revenue etc. are some types of Fraud and Corruption.

(viii) An understanding of the audited entity should enable the Auditor to identify potential high risk areas and suitably modify audit procedures and techniques. Some of the commonly perceived high risk areas are; Contracts of service/procurement, inventory management; sanctions/clearances; program management; revenue receipts; cash management; general expenditure and other areas with public interface.

(ix) In searching for the evidence of fraud and corruption, the Auditor must always search for the strongest possible evidence and

investigate it without delay. In doing this, even small clues or leads should not be ignored and facts that confirm or refute suspicion should be looked for.

3.56 Audit of BOT Scheme

(1) The policy of encouraging participation of private entrepreneurs to provide adequate funds for infrastructural development is slowly entering our State, in consonance with the policies of Government of India and other State Governments; State Government have not formulated any general policies and guidelines for adoption of such a system. There are a number of variations for this scheme such as BOT (Build, Operate and Transfer) BOOT (Build, Own, Operate and Transfer), BOLT (Build, Operate, Lease and Transfer) etc.

As this is a new system, our office is not having much experience in the audit of such systems in the past. Hence, we have to formulate our audit approach with due care and caution.

As per this system, financially viable projects such as construction of roads and bridges, construction of Railway over bridges, flyovers and tunnels etc., are being entrusted with private entrepreneurs under the scheme commonly called BOT and allow them to recover capital invested by them with interest/profit from beneficiaries. The entrepreneurs will build and maintain the structures deploying their own capital and collect toll from the users during a period called “concession period” and transfer the assets to Government on expiry of concession period. The rates of toll are determined and notified by Government. The entrepreneur who executed the concession agreement is called “concessionaire”

(2) As Government funds are not directly involved in such arrangement, our conventional audit approach to expenditure will not suffice in this context. Out of the commonly used audit approaches such as Compliance Testing, Analytical Review and Direct Substantive Testing of Transactions (vide para 2.1.11 of MSO (Audit), the third one i.e. Direct Substantive Testing of Transactions cannot be adopted in this case.

The main points to be looked into can be generally summarized as below:

- (i) The processes of inviting bids and execution of concession agreement are to be scrutinised to see mainly whether adequate publicity has been given for the bid, existing instructions regarding entering into contracts have been adhered to and the agreement do not contain any irregular clauses which are against the interest of Government and beneficiaries.
- (ii) The fixing of the project estimate cost has a pivotal role in the scheme. Hence, the project estimate cost is to be analysed to ensure that it is reasonable and realistic, and also the roles of implementing and executing agencies are to be reviewed.
- (iii) The correlation between the total investment of the concessionaire and the concession period is to be examined to see that the concessionaire do not derive any undue advantage disproportionate to the investment.
- (iv) The dates of issue of provisional certificate of completion, final certificate of completion and the starting of toll collection etc., are to be examined with respect to the relevant conditions in the agreement.
- (v) If any “Project Escrow Account” is to be operated as per agreement, the transactions of the Escrow Account are to be examined.
- (vi) It should be ensured that there are adequate penal clauses in the agreement to protect the interests of Government and beneficiaries.
- (vii) The conditions of transfer of assets should be scrutinised to ensure that they are unambiguous and definite in nature.
- (viii) Instead of allowing the concessionaire to collect revenue direct from users or beneficiaries, in some cases Government may decide to make some annuity payments. In such cases, the annuity amount and the annuity period fixed should be critically examined.
- (ix) If Government land has been transferred to the concessionaire, its conditions are to be scrutinised to ensure that they adequately prevent any possible mis-utilisation of land.

3.57 Environment Audit

(1) 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 the goal of sustainable development i.e. development without destruction of the environment and without foreclosing the options for future needs.

The scope of Environment audit would extend to examination of

- (i) the 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 programmes and programmes for the conservation and utilization of energy, water and other natural resources like flora, fauna, wild life etc.

(2) In evaluating the Environmental Impact Assessment (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 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, therefrom.

(Para 3.19.5 of MSO (Audit)).

(3) The Forest (Conservation) Act 1980 as amended from time to time, checks the indiscriminate diversion of forest land for purposes unrelated to forestry. The State Government is required to submit formal proposals received by them from various investors and project entities to the Ministry, if these involve the diversion of more than 20 hectares of forest land. The proposals involving diversion of forest land of up to 5 hectares can be decided by the Regional Chief Conservator of Forests. Audit may examine the processing of these proposals at different levels with a view to establishing that such decisions as arrived at are in conformity with the provisions of the Act. Adequacy of the monitoring machinery to ensure adherence to the stipulated conditions could also be ascertained in the course of audit.

(Para 3.19.11 of MSO (Audit)).

(4) Audit scrutiny in relation to activities for the preservation of wild life would extend to the enforcement of the Wild Life (Protection) Act, 1972 through the Offices of the Regional Deputy Directors of Wild Life Preservation located at Kolkata, Chennai, Delhi and Mumbai with the assistance of the State Wild Life Department.

(Para 3.19.13 of MOS(Audit)).

Detailed instructions for Environment Audit has been given in Section III, Chapter 19 of MSO (Audit).

(5) Field parties while conducting Regularity (compliance, financial) Audit and Performance Audit should conduct Environmental Auditing. The concept and methodology of auditing may be applied for normal auditing spheres.

(Ltr. No. DO/RTI/MVM/EA/1767 dtd. 19-3-2005 of Principal Director, RTI, Mumbai to Prl.AG).

3.58 Statistical Sampling

(1) The Comptroller and Auditor General of India has instructed to start using statistical sampling in whichever areas found suitable. The use of statistical sampling need not be linked with computerization of vouchers as these two are entirely different processes and can be carried out separately or simultaneously. Statistical sampling technique has been in use for over 200 years whereas computers are of recent origins.

As such, the two need not be linked up. Whenever we are selecting samples for test check, a scientifically based selection of items and examination of the selected items would mean use of the statistical sampling techniques. It is possible that initial use of this technique may not bring out the desired results for lack of experience. However, a beginning will have to be made if we want to start using this simple yet effective technique in our department.

This can be used in selection of vouchers in CAPs and also during local audit and in reviews.

CAG has also fixed the confidence level of 95 percent for statistical sampling (*Hqrs Ltr. No. 524-Trg.Div/19-97 dated 29-5-1997*).

(2) Statistical sampling is any sampling procedure that uses the laws of probability to measure the sampling risk that is always present in audit sampling. The following constitute the concepts of sampling:

- Population
- Sampling Unit
- Sampling Interval
- Tolerable Error
- Level of Confidence

The commonly used sampling methods are: -

- (a) Random selection, in which each and every item has an equal chance of selection. The items should be selected using random number tables or through computers.
- (b) Systematic selection, in which one or two items are selected randomly but other items are selected by adding the average sampling interval to the items selected randomly.
- (c) Stratified sampling in which the population is segregated into groups and selection is made from each strata or cell by systematic sampling.
- (d) Attribute sampling, in which the samples are examined for the presence or non-presence of a specified attribute or characteristic.
- (e) Monetary Unit sampling, in which the sampling unit is not an invoice or any other physical unit, but an individual rupee. When the individual rupee is selected, the Auditor does not verify that particular rupee, but the rupee acts as a hook and drags the whole invoice with it.

The Auditor's obligations in adopting the statistical sampling are to decide the methodology, select the sample and evaluate the results. While deciding upon the methodology, the Auditor should consider the audit objective, population, sampling risks and control procedures.

Whatever be the methods used, it should invariably be documented in working papers.

3.59 Style Guide for Audit Reports

To introduce uniformity in drafting/reporting style of the Audit Reports; a "Style Guide" has been prepared by the Headquarters office. The guide is written in the context of our audit reports, but the message it promotes applies to all our official writing to produce drafts that are clear, readable and interesting. It is not intended to set up a single drafting model. But it does seek to encourage the use of plain, simple English – short words, short

sentences and short paragraphs. Nobody is likely to agree with them all, but they should be applied in the interests of consistency and to save time in redrafting and proof reading. The Style Guide is in six parts - general advice on good writing; guidance on drafting, a list of conventions which must be followed in IA&AD, an A to Z of common errors and weakness and list of words and phrases to be used with care.

(HQrs No. 113-Audit (AP)/6-2003/348 dated 27-8-2003)

Some hints from the ‘Style Guide’ are given below: -

- 1) Clear writing depends on clear thinking. To draft well, a writer must know just what meaning he wishes to convey.
- 2) You can usually say what you want in short everyday words. Readers don't want to spend time grappling with obscure language as well.
- 3) Keep in mind the following elementary rules:
 - Avoid clichés and slang;
 - Never use a long word when short word will do;
 - If it is possible to cut out a word, always cut it out;
 - Never use a foreign phrase, a scientific word or a jargon word if you can think of a straightforward English equivalent. Use the language of everyday speech, not that of accountants, computer experts, bureaucrats and lawyers.
 - Avoid desire to impress. Your job is to help readers understand you readily and precisely and not to show them how clever you are; and
 - Do your best to be lucid. Simple sentences and short paragraphs help to break down slabs of text into manageable chunks. Avoid complicated constructions and gimmicks.
- 4) Readers seem to be comfortable with an average sentence length of 15-20 words in most circumstances.

- 5) Always look critically at your finished work to see
 - Does it get its main message across on first reading?
 - Does it concentrate on the main issues, avoiding aspects which are peripheral?
 - Does it include only essential words and phrases?
 - Does it give all necessary information?
 - Does it present both sides of the argument?
- 6) Keep the use of abbreviations to a minimum. All abbreviations are potentially an affront to the reader.
 - Do not use abbreviations for bodies which are referred to only a handful of times in a report.
 - If you must use an abbreviation, write the words in full on their first appearance followed by the initials in brackets.
 - Ring the changes by referring to “the Ministry”, “the Department”, “the Commission” etc.
 - Abbreviations that can be pronounced do not need the definite article (e.g. UNESCO). All other do (e.g. the CAG, the GOI).
- 7) Wherever possible, write actively. Over use of passive verbs is one of the most common causes of unclear writing. So say ‘Audit examined this account’ and not ‘an examination of the account has been carried out by Audit’.
- 8) Never start a sentence with a figure; write the number in words instead. Use figures for numerals greater than nine. Spell out lakh and crore. Numbers greater than 100 lakh should be expressed in crore and numbers less than 100 lakh in lakh.
- 9) Never use alpha numeric coding for paragraph numbers. Also avoid a mix of Roman-Arabic numbers. Do not use more than 3 levels in paragraph numbering.

- 10) Write 'percent' rather than '%'.
- 11) Certain nouns are often misused. Remember agenda is singular and data is plural. IA&AD and Government Departments should always be treated as plural nouns.
- 12) Comments made in the side margins and tables should be complete English sentences. Avoid temptation to save space by omitting verbs.

3.60 Audit of Personal Ledger Accounts

Detailed instructions on the audit of Personal Deposits have been given in Paras 3.11.10 to 3.11.15 of MSO (Audit).

The following supplementary instructions are also issued:

- 1) All local audit parties should audit at least 25 percent of the transactions for Personal Ledger Accounts (i.e. P.D, S.B, T.P etc., kept in Treasuries or Banks) of the DDOs on a regular basis.
- 2) Necessary comments may be incorporated in the Local Audit Report on Personal Ledger Accounts and a separate special report on the audit of Personal Ledger Accounts attached to the Local Audit Report so as to send the same to AA Section. The volume and money value of the transactions audited should be indicated in the Report.
- 3) The points to be looked into at the time of audit are:
 - (a) Whether authority exists to open the Personal Ledger Account.
 - (b) Whether more than one Personal Ledger Account is operated.
 - (c) If funds on more than one scheme are kept in the same account, whether scheme-wise analysis of the balance in the account available, mixing up

of funds for different schemes in a single account should be commented upon.

- (d) Whether funds are utilized in the prescribed manner and within the time limit prescribed. Non-utilisation/delayed utilization/diversion of funds etc., should be specially looked into.
- (e) While sufficient balance is available in the account, more fund will be allotted and credited in the accounts to avoid lapse of funds. Such cases should be highlighted. Wasteful expenditure, deviation from codal provisions etc., may be commented upon.
- (f) Normally unspent balance, out of amount transferred from consolidated fund to Personal Ledger Account should be refunded to Government before 31st March of the current year. Deviation from this rule is to be looked into.
- (g) Money drawn from Personal Ledger Account towards payment as advance to contractors and to suppliers should be objected to, if final bill is not presented or supplies made.

Note: Thrust will be given to money given by Government to Departmental Officers/Implementing Agencies including autonomous bodies etc., for implementation of Central/Centrally sponsored or State Plan Schemes. Money given as grant to the institution or money collected by the institutions may not be given much importance.

- (h) The concerned files in the Secretariat regarding release of funds should necessarily be examined to see the basis on which decisions were taken

by the Secretary of the Department to transfer scheme/plan funds to Personal Ledger Account and on what basis Finance Department has given concurrence to such proposals.

(Note No. IAU (Works)/Ib/15-725/98-99/135 dated 18-8-1998).

3.61 General

(a) All accounts records, not specially mentioned in the preceding paras should be examined generally with reference to para 48 (a) of the Secret Memorandum of Instructions. A general list of the records to be reviewed during the inspection of P.W. Division offices is given as Annexure III to this chapter.

(b) All inspections, the dates of closing of the Divisional and Sub-Divisional accounts should be verified. The cases of any delay in the submission of the Sub-Divisional cash or stock account should be enquired into.

ANNEXURE-I

(Vide Para 3.01)

DISTRIBUTION OF WORK AMONG PERSONNEL IN PUBLIC WORKS INSPECTION PARTIES

- I. **Party with One Audit Officer, two Assistant Audit Officers/
Section Officers and one Senior Auditor.**
 - A. **Audit Officer**
 - (i) Study of the notes of Chief Engineer and Superintending Engineer on their inspection of divisions and those of the Executive Engineer and Divisional Accountant on their inspection of sub-divisions with a view to issuing appropriate directions to the audit staff.
 - (ii) Review of budget allotments and actual in respect of major items of revenue and expenditure, instances of large excesses, savings or short realization.
 - (iii) Review of all regular tenders and contracts, along with the related records and documents and of a percentage of the agreements executed since last inspection, including review of systems and procedures for invitation and finalization of contracts and agreements.
 - (iv) General review of the accounts of works, with reference to muster rolls, transfer entries, Suspense and Deposit Registers, Schedule of Rates, Register of Rents, Establishment records and monthly accounts.
 - (v) Review of the system for and extent of check-measurements by the divisional and sub-divisional officers and other higher authorities and of check of Measurement Books by the Divisional Accountant.
 - (vi) Review of Register of Revenue other than rents, including review of procedures for its assessment and realization, special attention being paid to cases of shortfalls in revenue realization.
 - (vii) Review of effectiveness of banking (treasury) arrangements.
 - (viii) Review of the systems for receipt, disbursement, custody and verification of cash.
 - (ix) Review of systems for acquisition, custody and management of stock and of stores transactions.
 - (x) Review of accounts of manufacture operations.
 - (xi) Scrutiny of Register of Bank Guarantees and verification of Guarantees and of action taken for their enforcement.
 - (xii) Examination of adequacy of arrangements and the action taken by the Department for the prompt disposal

of audit notes, rejoinders, inspection reports and money value objections.

- (xiii) Review of Register of Divisional Accountant's audit objections.
- (xiv) Review of the action taken by the Divisional Accountant for the up to date maintenance of codes, manuals, circulars etc.
- (xv) Value for Money Audit, in general.

B. Assistant Audit Officer

- (i) Complete and detailed analysis of selected works with reference to all connected documents, such as sanctioned estimates, agreements, measurement books, materials-at-site accounts, etc.
- (ii) Scrutiny of a few files relating to works.
- (iii) Scrutiny of a few tender documents.
- (iv) Examination of the Register of Works.
- (v) Examination of Statement of Annual Certificate of Balances.
- (vi) Study of Charge Reports of Divisional and Sub-Divisional Officers.
- (vii) Scrutiny of Muster Rolls.
- (viii) Complete check of contractors' ledgers for selected months.
- (ix) Scrutiny of Register of contractors' bills.
- (x) Examination of Stores and Stock accounts (including general review of stores ledger, bin cards etc).
- (xi) Review of arbitration cases.
- (xii) Review of Survey Reports and Register of Survey Reports.
- (xiii) Examination of Workshop accounts, use rate and proforma accounts.
- (xiv) Review of Register of Quarries and distance for leads.
- (xv) Review of Schedule of Rates.
- (xvi) Examination of data relating to extra and supplemental items.
- (xvii) Examination of abnormal or unworkable rates quoted by contractors.
- (xviii) Scrutiny of estimates for special repairs.
- (xix) Verification of action taken on previous Test Audit Notes.

- (xx) Settlement of outstanding paragraphs in previous inspection reports.
- (xxi) Examination and disposal of special points referred by Central Audit for local verification.

C. Section Officer

- (i) Scrutiny of cash book, amanath cash book, receipt books, Treasury bill book, challans, cheque books and remittance books.
- (ii) Review of Stock Register of receipt books and cheque books.
- (iii) Examination of Register of Undisbursed Pay.
- (iv) Review of Acquittance Rolls.
- (v) Review of Schedule of Settlement with Treasuries.
- (vi) Scrutiny of transfer entries.
- (vii) Review of Tools and Plant.
- (viii) Scrutiny of Register of Rent and other receipts and of arrangements for their assessment, demand, collection and accounting.
- (ix) Review of Register of Valuables.
- (x) Examination of imprest and temporary advance accounts.
- (xi) Examination of Register of Liabilities.
- (xii) Clearance of debit advices received from the Accountant General (A&E).
- (xiii) Review of Register of Budget Allotments, instances of major savings, excesses, short-realisation, etc., with reference to provisions and of adequacy of reconciliation work done by the department.
- (xiv) Verification of accounts schedules, vouchers, cheques, etc., received from the Main Office with the relevant original records.
- (xv) Verification with Treasury records.
- (xvi) Review of Register of Agreements/Work Orders along with the related agreements/work orders.
- (xvii) Scrutiny of Land Acquisition cases.
- (xviii) Review of Cash Settlement Suspense Account.
- (xix) Examination of cases of theft, losses, etc.
- (xx) Realisation of sale value of tender forms with reference to the Tender Register and their accounting with reference to treasury schedules and transfer entries.
- (xxi) Examination of a few work files and tender documents.

D. Senior Auditor

- (i) Examination of Register of Service Books.
- (ii) Review of Service Books and Leave Accounts.
- (iii) Scrutiny of pay bills, TA bills, medical reimbursement claims, LTC claims and other personal claims.
- (iv) Examination of Provident Fund Accounts.
- (v) Review of Register of Advances, Sanctions to Advances and their recovery.
- (vi) Review of Register of payments due to other departments (Income Tax, Sales Tax, Court Attachment, and other deductions).
- (vii) Examination of Register of Contingent Bills, along with original bills, sub-vouchers, etc.
- (viii) Scrutiny of different kinds of securities obtained.
- (ix) Review of deposit transactions.
- (x) Scrutiny of Register of Fixed Charges.
- (xi) Examination of Register of vehicles and log books, Register of spare parts, petrol and diesel account.
- (xii) Check of Stamp Account.
- (xiii) Examination of Register of Library Books.
- (xiv) Examination of accounts of stationery and forms.
- (xv) Review of Register of Measurement Booms, a few Measurement Books and results of Divisional Accountant's review thereof.
- (xvi) Examination of Register of leases and lease files and Register of licence fee for buildings and lands.
- (xvii) Verification of stores ledger, delivery notes, materials-at-site register.
- (xviii) Verification of unserviceable machinery.
- (xix) Scrutiny of Objection Books and Adjustment Registers.
- (xx) Settlement of outstanding paras of previous Inspection Reports and verification of action taken on previous Test Audit Notes.

II. Party consisting of an Audit Officer, an Assistant Audit Officer/Section Officer and two Senior Auditors**A. Audit Officer**

Same as those detailed in I(A) above.

B. Assistant Audit Officer/Section Officer

Same as those detailed in I. above.

C. Senior of the Two Senior Auditors

Same as those detailed in I. above.

D. Junior of the two Senior Auditors.

Same as those detailed in I(D) above.

Notes:

- (i) *Any other records in the Division coming under audit purview should also be scrutinised, the work being allotted to any of the members of the party.*
- (ii) *The Audit Officer will generally undertake review work. Detailed scrutiny, wherever necessary, may be entrusted to any member of the party. It will be desirable, whenever considered necessary, for each member of the party to scrutinise the records to be examined by another member as well so that the scrutiny/examination is thorough and meaningful.*
- (iii) *The Audit Officer/senior member of the party should reallocate the work based on actual circumstances so that no item is left unchecked because of the absence of the Audit Officer or any other member of the party.*
- (iv) *In addition to the works selected for examination by the Headquarters office, 10 to 15 important works executed during the period covered by audit may also be selected for examination based on their estimated cost with a view to bringing out points worthy of inclusion in the draft Inspection Report. Under no circumstances should the departmental personnel be asked to make this selection. The list of selected works should be forwarded along with the draft Inspection Report.*

ANNEXURE-II**(Vide Para 3.53)**

PW Party No.....

Name Division/Office.....

Period of Audit.....

Dates of Audit.....

Questionnaire on Internal Control Mechanism**(To be invariably attached to all Inspection Reports)**

(Note:- This form is to be filled up by the Supervising Officer, if present. Otherwise, it should be filled up by the senior most member of the party. Give specific reply to each question. Do not leave any questionnaire unanswered or answered with dashes/dots. If any question is not relevant for an auditee institution, answer it as *Not Applicable*. On the basis of the questionnaire, an evaluation of the internal control mechanism should be included as a paragraph in the draft Inspection Report).

I. Budgetary Control

Whether –

- i) the Budget is prepared taking into account all relevant factors such as anticipated expenditure on works proposed to be taken up, in progress and unsettled claims and adjustment relating to works?
- ii) necessary registers are maintained to watch allotment and expenditure?
- iii) there was regular monitoring of expenditure against allotment?
- iv) availability of fund allotment was ensured before awarding contract?
- v) expenditure was incurred just to avoid lapse of funds like depositing in Government Public Account, unnecessary purchases etc.?
- vi) there was periodical review of budget provision and expenditure and timely action to identify and surrender surplus fund?
- vii) and fund was allowed to lapse without taking up timely action?
- viii) allotment was received for all the works proposed?
- ix) any unbudgeted works was taken up?
- x) any of the budgeted items was abandoned due to nil provision or insufficient provision?
- xi) any work for which provision had already been made was not continued or not taken up at all?

II. Expenditure Control

Whether –

- i) the cash book is standard one with machine numbered pages?

- ii) transactions are recorded in the cash book as and when they occur?
- iii) there is a system of daily closing of cash book?
- iv) the head of office verifies cash balance periodically?
- v) the custodian of money is the writer of cash book?
- vi) system of reconciliation is effective?
- vii) recoveries remittable to other heads are remitted in time?
- viii) advances are adjusted in time?
- ix) more than one advance for the same purpose is pending adjustment against the same officer?
- x) money is kept in the office in any form for long periods?
- xi) there is unnecessary drawal of funds?
- xii) there was undue rush of expenditure towards the close of the year?
- xiii) advances paid to suppliers remained unadjusted beyond reasonable period?
- xiv) there were delay in furnishing final bills by contractors and suppliers?
- xv) deposit taken for executing work of other agencies were executed in time and accounts settled in time?
- xvi) amount due to outside agencies held temporarily in the accounts of the Division are released regularly and quickly?
- xvii) registers like Bills Register, Contractors' Ledger, Deposit and Advances Register, Transfer Entry Register were maintained and maintained properly and up-to-date?
- xviii) returns to Controlling Officer in this regard are being submitted regularly?
- xix) reconciliation of monthly account figures with Accountant General's booked figures and monthly account figures in respect of cheques and remittances with treasury figures is being done regularly and completed, at least, before the close of the succeeding month and differences analysed and cleared?
- xx) temporary advances made to subordinates remained unadjusted for long periods?
- xxi) any advances remained unadjusted after furnishing expenditure details by the concerned?
- xxii) cheques drawn have been dispatched to the concerned parties as soon as possible and whether they were held up without reasonable explanation?
- xxiii) late cheques drawn on the last day of the financial year was duly reported to Accountant General and Finance Department?

- xxiv) allotment of letter of credit is being recorded and expenditure watched?

III. Stores Control

Whether –

- i) there is a system of assessment of requirement before arranging purchase?
- ii) purchases are made as per approved rules and procedures?
- iii) items purchased have been taken into account as soon as received?
- iv) stores account and other records due to be maintained in a store have been maintained?
- v) there is a system of independent periodical physical verification of stores?
- vi) departmental materials left in the custody of the contractor are periodically verified?
- vii) the issue price is fixed taking into account all the relevant data?
- viii) account balance and actual balance were tallied at the close of the year?
- ix) system of stock taking, custody and issue of stores are as per rules?
- x) Stores Ledger and Accounts are properly kept?

IV. Operational Control

Whether –

- i) there is up-to-date delegation of powers available with the office and whether there were any cases of infringement of such delegation of powers?
- ii) there was strict distribution of duties among different functionaries in the implementation programme?
- iii) approval of higher authorities had been obtained wherever required?
- iv) there is a system of regular receipt of information from subordinates and reporting to higher authorities?
- v) any dates for receipt and submission of reports have been prescribed and the same observed?
- vi) tour notes/inspection notes were being received from subordinates?
- vii) the Register of Works and Projects Register are maintained up-to-date and properly?
- viii) the targets set have been achieved?

V. Inspection/Conferences

Whether-

- i) the office is inspected at prescribed intervals by the Controlling Officers?
- ii) the lapses pointed out are rectified in time?
- iii) lower formations are inspected by the Office as prescribed?
- iv) the lapses pointed out are followed up to the logical conclusions?
- v) decisions of conferences/meetings are minuted?
- vi) the decisions are implemented in time?

VI Computerisation

Whether-

- i) the organization has a policy of computerization?
- ii) the policy conforms to the objectives of the organization?
- iii) the requirement of hardware/software are properly assessed and documented?
- iv) purchase of hardware/software are as per requirement?
- v) trained personnel are available?
- vi) the systems are installed and put to use?
- vii) the systems are properly safeguarded against fraud/error?
- viii) proper controls have been defined and put in place?
- ix) there was any improvement in quality of service/expenditure as a result of computerization?

VII Internal Audit

Whether-

- i) there is an internal audit organization in the department?
- ii) there are Codes/Manuals etc., defining and supporting audit function?
- iii) such Manuals are reviewed and updated?
- iv) any standards set by the Top Management?
- v) the duties and responsibilities are clearly defined?
- vi) the audit staff is properly trained?
- vii) any separate cadre of auditing staff exist or deployed from line staff for a specific period?
- viii) any audit plan is prepared by the Top Executive?
- ix) there are any criteria for selecting field units for audit?
- x) the periodicity of audit is uniformly followed?
- xi) the extent of coverage is satisfactory?

- xii) there is any abnormal delay in issuing Audit Reports?
- xiii) the volume of pendency of audit is justifiable?
- xiv) the quality of checks is satisfactory?
- xv) replies to audit reports are received in time?
- xvi) reports and objections are pending settlement for long?
- xvii) any persistent irregularities reported?
- xviii) any departmental action taken for non-compliance to audit observations?
- xix) the cost effectiveness analysis justifies the system?
- xx) internal audit makes contribution for the speedy settlement of objections raised in Accountant General's reports?
- xxi) the Internal Auditors go through the audit observations of Accountant General and suggest action on the basis of those audit observations in their report?

VIII Internal Controls

Whether-

- i) there is any methodical assessment of requirement of staff and the staff in position did not exceed the requirement/sanction?
- ii) there were any training programme conducted for the staff?
- iii) the time schedule prescribed for conduct of disciplinary proceedings were complied with?
- iv) a register of Divisional Accountant's audit objections is being maintained and disposal of the same watched by the Head of Office?
- v) inspection of lower formations by the higher authorities was conducted in time and then reports acted upon?
- vi) the Divisional Accountant has conducted the prescribed number of checks of measurement books?
- vii) the Assistant Executive Engineer has check measured all the measurement recorded by the Assistant Engineer?
- viii) prescribed number of check measurements have been conducted by the Executive Engineer?
- ix) a Stock Register of important orders is being maintained?
- x) the materials for Administrative Report are being given in time?
- xi) there is periodical verification of stock, tools and plant, office furniture. Etc., and disposal of unserviceable materials?
- xii) quality control work is being ensured as per rules?
- xiii) the land acquisition is got finalized in time before arranging work?
- xiv) the seniority is being infringed in payment of contractors' bills?

- xv) there are instances of surplus materials in work due to excessive supplies?
- xvi) there are instances of abandonment of work midway due to technical, organizational or environmental reasons?
- xvii) completion reports are prepared immediately on completion of work?
- xviii) excess expenditure on work is got regularized promptly?
- xix) standard Measurement Books are maintained?
- xx) schedule of rates for commonly executed items of work have been prepared?
- xxi) Average Conveyance Statement is being maintained?

IX Response to Audit

Whether-

- i) all the required files/documents made available to audit?
- ii) from the file/documents made available, a reasonable opinion as to the functioning of the Organisation is possible?
- iii) the audit enquiries were properly accepted and answered?
- iv) replies were furnished to all previous Inspection Reports?

X Evaluation

Signature :

Place : Name :

Date : Designation :

ANNEXURE-III

(Vide Para 3.60)

**LIST OF RECORDS/DOCUMENTS TO BE TEST CHECKED DURING
LOCAL INSPECTION**

**A. List of records/documents to be test checked during local
Inspection of Public Works Division**

List of Documents

1. Cash Book with counterfoils of cheque and Receipt Books and other relevant records including Remittance Book and cash balance reports.
2. Transfer Entry Book.
3. Contractor's Ledger.
4. Agreements.
5. Stock Account with all relevant records.
6. Tools and Plant account with relevant records.
7. Register of Tenders received and accepted.
8. Works Order Book/Work Orders.
9. Materials at site account.
10. Register of Licence Fee of Buildings and Lands.
11. Suspense/Deposit Registers (to be checked once in three years vide CAG's Circular letter dated 7-9-1982).
12. Division-wise Register of transactions adjusted under the Head 'Cash Settlement Suspense Account' (may be checked in three years as above).
13. Register of Fixed charges.
14. Register of revenue other than Licence Fee.
15. Log Books of vehicles including construction machinery.
16. Treasury Bill Book.
17. Contingent Register.
18. Acquittance Rolls.
19. Register of Cheque and Receipt Books.
20. Register of Survey Reports/Survey Reports.
21. Register of Service Books/Service Books.
22. Work charged Provident Fund Accounts.
23. General Provident Fund Accounts of Class IV staff.
24. Muster Roll Register/Muster Roll.
25. Register of Manufacture.
26. Register of interest bearing securities.
27. Schedule of settlement with Treasuries.

28. Register of Works/Works Abstracts.
29. Register of leases/lease files.
30. Subsidiary Cash Book.
31. Measurement Books.
32. Standard Measurement Books.
33. Road Metal Returns.
34. Register of Special/Miscellaneous Recoveries.
35. Register of Appropriations.
36. Register of Executive Engineer's Check Measurements.
37. Register of Contractor's Bills.
38. Register of Review of Measurement Books by Divisional Accountant.
39. Register of Valuables.
40. Register of AG's Audit Objections.

Authority: Letter No. 1610-TA. II/222-82 dt. 17-11-83 from the Comptroller & Auditor General of India, New Delhi and Accountant General's orders thereon dated 10-1-1984.

B. Records to be collected from Division and all Sub-divisions for conducting nominal audit:

- (i) Pay Bills.
- (ii) Files containing order of sanction to increments, revision and fixation of pay, leave and leave salary, orders of suspension, orders regarding crossing E.B., orders sanctioning special allowances, etc.
- (iii) Acquittance rolls.
- (iv) Service Books with list of persons due to retire within a period of 5 years.

CHAPTER-4

AUDIT OF NON-TAX REVENUE RECEIPTS

4.01 General Checks

The general principles to be observed in the audit of receipts are given in Section II, Chapter 3 of M.S.O. (Audit). The various processes and stages of collection and accounting of receipts should be intelligently examined in order to ensure that there are no weak points in the system which may lead to leakage of receipts or commission of irregularities.

4.02 Departmental Receipts

- 1) Departmental Receipts of the Central and State Governments are generally in the nature of receipts for services rendered or supplies made and receipts of miscellaneous nature like sale proceeds of condemned articles, dead stock, fees for licences issues, rent of buildings and lands, toll on roads and bridges, sale proceeds of tender forms etc. These receipts are checked by audit while conducting audit of the expenditure of the department concerned.
- 2) Public Works Revenue is assessed and realized in accordance with the rules prescribed by the Government. The detailed rules relating to the realization of revenue from miscellaneous properties and rents of buildings are contained in Paragraphs 319 to 324 of the Kerala Public Works Departmental Code. The rules relating to licence and other fees from navigation are contained in the Public Canals and Ferries Acts and the rules issued there under. The bulk of the irrigation revenue for the supply of water for cultivation purposes is collected by the Land Revenue Department and the PW Department has no hand in its collection or accounts. The general principles for the hiring of tools and plant including floating plant are contained in Paragraph 31.6 of the Kerala Public Works Department Code. When revenue is collected it should be correctly brought to account in accordance with the classification prescribed in Appendix 3 of KPW Account Code.

(Para 9.1.1 of KPWA Code)

4.03 Objective of Audit

It is the primary responsibility of the departmental authorities to see that all receipts due to Government are correctly and properly assessed, realized and credited to Government account. The most important functions of audit are:

- (i) to see that adequate regulations and procedures have been framed by the Department to secure an effective check on assessment, collection and proper allocation of revenue; and
- (ii) to satisfy itself by adequate test check that such regulations and procedures are actually being adhered to. Audit should also make such examination as it thinks fit with respect to the correctness of the sums brought to account.

4.04 Items of P.W. Receipt

The following are the more important items of Non-Tax Receipts coming under Public Works:

- (i) Licence Fee of buildings and land.
- (ii) Rent of Rest Houses.
- (iii) Sale of right for collection of usufructs from trees in Government lands.
- (iv) Sale of unserviceable/surplus stock.
- (v) Licence fee for registration of contractors.
- (vi) Sale of tender forms.
- (vii) Auctioning of ferries, tolls, etc.
- (viii) Navigation receipts.
- (ix) Hiring of tools and plants.
- (x) Receipts from Workshops.

4.05 Detailed Audit Checks

The records maintained under Para 9.5.1 of the KPW Account Code, showing the assessments made in respect of all items of revenue, the progress of recovery and the outstanding debts due to Government, should be examined

to see that proper action is taken in each case and no debts due to Government are written off without the orders of competent authority.

It should also be seen that the agreements and instruments which are liable to stamp duty are duly stamped in accordance with the provisions of the Stamp Act.

In conducting audit of Non-tax Receipts, the general principles of Receipt Audit will apply and the audit will be guided by relevant rules governing the assessment and collection of receipts. The emphasis in the conduct of Receipt Audit should not only be on the accounting of receipts, but also on proper assessment of the amount due, realization thereof and scrutiny of unauthorized or irregular remissions and refunds. It should be the endeavour of Audit to ensure that all demands due are properly and promptly raised in accordance with the law, rules and regulations governing the same to trace all receipts right from the source to their final accounting. It may be specially seen that –

- (a) adequate regulations and procedure have been framed to secure an effective check on assessment, collection and proper allocation of revenue;
- (b) such regulations and procedures are being observed;
- (c) where any financial rule or order prescribes the scale or periodicity of recoveries, there is no deviation from such scale or periodicity without proper authority;
- (d) a register of all recurring and non-recurring demands is kept in accordance with the rules and collections are watched against it;
- (e) arrangements for collection are satisfactory and there are no outstanding requiring special notice;
- (f) payees are invariably granted machine numbered receipts in the prescribed form, a proper stock account is kept of all Receipt Books, the stock thereof is periodically verified and a certificate of actual count of receipt forms in a receipt book is recorded before a receipt book is issued from stock;

- (g) moneys received are brought to account immediately and ordinarily there is no undue delay in their remittance into treasury.
- (h) the return of the counterfoils of used receipt book is properly watched and the counterfoils are recorded after check so as to ensure that there has been no delay or omission in bringing the receipts to account; and
- (i) the responsibility of conducting the internal checks on the lines of (d) to (h) above is held by some responsible official and there is recorded evidence to the effect that he exercises these checks.

(Para 4.02 of OAD Manual)

Note: Some of the checks to be exercised on receipt books have been given in Paragraph 3.05 of this Manual

4.06 Checks on sale of right for collection of usufructs, etc.

Paras 9.1.2 to 9.1.7 of the KPWA Code lay down the detailed procedure to be followed in the maintenance of a Miscellaneous Properties Register. The audit checks to be exercised are to see that: -

- (i) the registers are submitted monthly to the Divisional Office for review as required under Para 9.1.2 of the KPWA Code and when not submitted, the reason for non-submission is recorded in the register against the month under the signature of the sub-Divisional officer;
- (ii) all properties included therein have been duly leased under the rules prescribed in the KPWA Code (Para 319);
- (iii) lease agreements where required exist in all cases;
- (iv) the amounts due are collected on the due dates and that there are no longstanding dues;
- (v) adequate reasons are on record for short realizations or fall in revenue as compared with the previous years;
- (vi) no items of revenue due to Government are written off or remitted without the orders of competent authority (Para 9.1.9(b) of KPWA Code);
- (vii) in the case of the sub Division selected for test audit, recoveries as noted in the register are traceable in the cash book;

- (viii) in the case of water taken for industrial purposes, the scale of rates and recoveries made are in order (Para 9.1.9 of KPWA Code);
- (ix) the amount in the column “Amount realizable” has been correctly filled as per the sale lists and approved lease agreements; and
- (x) that the right to collect tolls on bridges is leased out by public auction or by inviting sealed tenders.

4.07 Sale of unserviceable/surplus stock

The procedure for disposal of unserviceable/surplus stock is laid down in Paras 307 to 315 of KPWD Code.

It may be verified that the correct procedure has been followed by the Divisions in the disposal of the surplus/unserviceable stock and that no stores are disposed of without sanction of competent authority.

When stock materials are sold to the public or others an addition of 20% must ordinarily be made to cover charges on account of supervision in addition to the rate fixed under Para 7.2.19 of the KPWA Code. If unserviceable stores are sold in public auction, it should be ensured that proper publicity has been given and that the value fetched is not too low compared to the book value or assessed value. It should also be seen that prior sanction had been obtained from competent authority for the disposal.

Losses, if any, arising from irregular procedures adopted in disposal of unserviceable and surplus stores should always be looked into critically.

4.08 Registration of Contractors

The rates for registration of contractors are laid in Appendix XV(a) of the KPWD Manual. As per GO (Ms) 127/84/PW/F&P/12-11-84, the registration fees of contractors are as follows: -

Class	Registration fees (Rs.)	Renewal fees (Rs.)
A Class	1000	100
B Class	500	75
C Class	300	50
D Class	100	25

A cash deposit of Rs.1 lakh, Rs.50,000, Rs.25,000 and Rs.15,000* respectively will be insisted in respect of Class A, B, C and D non-electrical contractors. The cash deposit will carry an interest @ Rs.6%.

**(GO (P) No. 84/97/PW&T dated 19-8-1997 – Engineers Diary)*

Apart from the general audit checks, it should be seen during the inspection of Sub-Divisions, Divisions and Circles (the registering offices) that the Register of Contractors is maintained properly. The following points should be specially noted:

- (1) A list of applications for registration and renewal should be maintained by each registering authority in a register in Form IV. In case the department declines to grant registration to any contractor, it should be seen whether the reason for refusal has been clearly recorded in the register. Though confidential, the register is open to inspection by audit.
- (2) A registration not renewed for a year cannot be revived. The contractor can apply for fresh registration only.
- (3) The categorization of contractors should be with reference to the estimated amount of contract. The monetary limits up to which each Class of non-electrical contractors can take up works in PW Department are detailed below: -

Class A	: Unlimited
Class B	: Works up to Rs.55 lakh*
Class C	: Works up to Rs. 15 lakh
Class D	: Works up to Rs.6 lakh

**(GO(P) No. 13/98/PWD dated 21-2-1998)*

Direct registration to Class A category will not be allowed unless the contractor has, not less than 3 years experience as Class B contractor (G.O.(Ms)96/87/PW&T/27-11-87).

4.09 Sale of Tender Forms

Tender for contracts to be settled by Executive Engineers or by Assistant Executive Engineers are sold in the concerned Division Office and Sub-Division Office.

Tenders for contracts to be settled by the Chief Engineer and Superintending Engineer are sold in the Circle Office and in the concerned Division Office.

The rates fixed for the cost of tender forms, schedule, etc., with effect from 15-5-1999 are given below: -

Probable amount of contract	Tender form 1 st copy (Rs.)	Duplicate copy (Rs.)
Up to Rs.50,000	150 + ST	100 + ST
Rs.50,000 to Rs. 6 lakh	400 + ST	200 + ST
Rs.6 lakh to Rs.15 lakh	700 + ST	400 + ST
Rs.15 lakh to Rs.50 lakh	1000 + ST	500 + ST
Above Rs.50 lakh	2000 + ST	1000 + ST

The duplicate copy so issued should be marked duplicate and should not be accepted in place of the original tender (G.O. (MS) 127/84/PW/F&P/12-11-1984 & GO (MS) No. 1341/99/Fin dated 4-5-1999).

The registering authorities are as under: -

Category	Authority
A & B Category contractors	Superintending Engineer
C - Category contractors	Executive Engineer
D - Category Contractors	Assistant Executive Engineer

The following is the procedure laid down for the accounting of the tender forms:

- (1) All tender forms should be priced and the price printed or hand written on the form.
- (2) All the forms received in Divisional or Sub-Divisional office should be entered in the Register of Valuables referred to in Article 333(2)(v) of the Kerala Financial Code Vol I. together with the number and date of the advising dispatch or invoice with which they are received.
- (3) The receipts and issue of the forms for specific tenders should be recorded in the Register of Sale of Tender Forms vide Appendix XV(f) of KPWD Manual as a subsidiary register to the register of valuables.
- (4) The register of sale of tender forms should contain a chronological record of the issue of Tender Forms showing the name of the person to whom issued, the number of forms issued and the amount received.

- (5) All tender forms should be kept in charge of the Junior Superintendent in Divisional Offices and the Sub-Divisional Head Clerk in Sub-Divisional Offices.

Apart from the general audit checks, it should be seen during inspection that the above procedure has been followed by the authorities concerned.

4.10 Verification of remittances into Treasuries

- (1) It is one of the important duties of audit to see that all departmental revenue has been remitted in time to the Treasury, to the credit of Government. With a view to ensuring that all the remittances to the Treasury have gone to the credit of Government, the audit staff should verify the credit entries in treasury records. In this connection, the instructions contained in Paragraph 23 of the Secret Memorandum of Instructions may also be borne in mind.

(Para 4.12 of OAD Manual)

- (2) As per Headquarters confidential circular letter No. 3020-TA-I/600-67 dated 5-10-1967, it was clarified that treasury verification was not intended to be applied during the audit of Public Works and Forest Division Offices in view of the regular method of settlement of remittances provided for in these offices. A review of the working of the P.W and Forest Divisions has revealed that delays in submission of accounts and irregular submission of schedule of settlement with treasuries have become a common feature rather than exception in most of the states. In view of the general deterioration in the standard of accounting and financial discipline, it would not be desirable to dispense with any of the basic audit checks to guard against embezzlements, frauds, etc. The independent verification of remittances with reference to treasury records for the selected month must therefore be conducted by inspection parties during the course of inspection of Public Works and Forest Divisions.

(CAG's Confidential General Circular No. 8-AC II/1990-369/102 AC II/89 dt 28-5-1990)

(3) As per Annexure 2-9-1 III C of Manual of Instructions on Restructuring of Cadres, the additional SO/AAO of the PW Party is required to verify the remittances with reference to the treasury records for the selected month (including that of the selected sub-Divisions). A verification report specifying the remittances verified may be submitted along with the Inspection Report.

The verification should be conducted even if the treasury is located beyond 8 Kms from the place of inspection. Details of journey undertaken for the purpose should be reported to IAU (Works) for regulating TA claims.

(Circular No. 19 of CASS (Works) dated 10-7-90)

(4) Headquarters office has directed that PW Inspection Parties may collect schedule of settlement with Treasuries on the spot during inspection of Divisional Offices and forward to A&E office for early clearance of outstanding under remittance. Hence, PW parties may collect details on the position of arrears in obtaining CTR/CTI and finalise SSTs, on the first day of inspection itself, and issue instructions locally to prepare the schedules, in case the CTR/CTI were already available or collect the CTRs/CTIs and prepare the schedules before the close of the inspection and entrust it with the party who may forward it to Headquarters Section along with the draft inspection report mentioning it in the covering letter. Parties may also incorporate suitable comments in the draft inspection report on the arrears and if possible, indicate the amounts both under cheques and remittances remaining to be reconciled as of date of inspection/previous March end and suggest early clearance.

(Circular No. IAU(W)/Ib/15-790/04-05 dt. 28-10-04 & HQrs No.230/AC III/CFR/ROB/455-2004 dt 25-08--2004)

4.11 Reimbursement of expenditure on Urban Link Roads from National Highways

(1) According to Clause 4 (b) of the agreement between the Government of India and Government of Kerala on the subject, executed on 22-3-1979, Government of India will pay the maintenance

of the Urban Links of National Highways. The following were approved as Urban Links;

Sl. No.	Name of Town/ City	Length of road in KM	NH
1.	Neyyattinkara Town	8.4	NH 47
2.	Trivandrum City	9.6	NH 47
3.	Attingal Town	6.690	NH 47
4.	Quilon Town	7.2	NH 47
5.	Alleppey Town	7.275	NH 47
6.	Shertallai Municipal Town	6.8	NH 47
7.	Cochin Corporation	17.4	NH 47
8.	Alwaye	8.227	NH 17
9.	Alwaye Municipal Town	4.3	NH 47
10.	Parur Town	4.325	NH 17
11.	Chalakyady Town	6.4	NH 47
12.	Trichur Town	4.445	NH 47
13.	Palghat Town	4.80	NH 47
14.	Calicut Corporation	12.6	NH 17
15.	Badagara	6.685	NH 17
16.	Tellicherry	7.200	NH 17
17.	Cannanore	4.970	NH 17
18.	Kasaragode	6.200	NH 17

The rate of reimbursement will be Rs.60,000 per KM per year (inclusive of agency charges) or the actual expenditure whichever is less (the corresponding rate was Rs.8,000 up to April 1987 and Rs.16,000 up to September 1994). The reimbursement will be made only till such time as a new bye pass is constructed.

(2) The reimbursement is made on the basis of audit certificate issued by Accountant General (Audit). For issuing audit certificate, the National Highway Divisions have to submit Statement of Expenditure on the maintenance of Urban Links to Accountant General (Audit) soon after the close of the year.

(Authority: Agreement signed on 22-3-1979 and Supplemental Agreement signed on 24-12-1995 and letter No. RW/NH-11015/13/87-DOI dt 19-9-1994 of MOST)

(3) Field parties conducting inspection of the National Highway Divisions concerned should examine the expenditure on Urban Links and ensure the correctness and genuineness of the expenditure booked under Urban Links. It may also be ensured that prompt action is being taken by the Divisional Authorities to forward the Statement of Expenditure to the Accountant General and also to claim the reimbursement.

4.12 Collection of Toll for bridges

(1) In accordance with the National Highways (fees for the use of National Highway Section and Permanent Bridge – Public Funded Project) Rules 1997, the fees for the use of sections of National Highways/Bridges on National Highways have to be collected by the executing agency concerned departmentally or through private contractors on the basis of competitive bidding on behalf of Central Government.

(2) Immediately after the construction of a facility (bridge/ bye pass/4-laning), the bids for collection must be invited on yearly basis for the first three years, which would be the period when the traffic on the facility may grow at a faster than expected rate. Thereafter the bids can be invited on three yearly basis.

(3) The contractor on award of collection rights at prescribed rates will have to install and maintain computer and computer activated toll barrier and the collection will be done through such computerized barriers. The system will become property of the Government on completion of the contract period.

(Letter No. RW/NH-11012/2/2000 US dt. 14-7-2000 of MOST Dept. of RT & NH)

(4) The collection charges of fees not exceeding 12 percent of the amount collected will be reimbursed by Government of India.

(5) The Kerala Toll Act 1976 stipulates collection of tolls from bridges on State Roads also.

(6) During inspection of National Highway Divisions and Roads Divisions, it should be seen that prompt action has been taken by the

Divisional Authorities for arranging the toll collection and the collections have been accounted for, remittances made and reimbursement of collection charges obtained. The bidding procedure and the agreements executed should also be critically examined.

CHAPTER 5

DRAFTING, SUBMISSION AND PURSUANCE OF INSPECTION REPORTS

5.01 Guidelines for drafting of Inspection Reports

The following guidelines may be borne in mind while drafting the local audit report:

- (i) The report should be drafted as such from the materials available from the audit enquiries and replies thereto.
- (ii) The paras should be as brief as possible, consistent with the clarity and the importance of the irregularity dealt with. Reproduction of contents of letters, reports, etc., should be avoided as far as possible.
- (iii) Each sub-para should deal with one objection only or a group of similar objections.
- (iv) Lengthy narrations regarding administrative sanction and technical sanction, invitation of tenders, award of work, date of handing over of site, delay in completion of work, etc., may be avoided by giving essential details of the work in the following form and on the lines given below:

Admn. Sanction No.....dt.....for Rs.....

Tech. Sanction No.....dt.....for Rs.....

Agreement No.....dt.....at.....% above/below estimates.

Contractor M/s or Shri.....

Estimate PAC Rs.....Agreed PAC Rs.....

Due date of completion as per Agreement.....

Cost/value of departmental material as indicated in the tender schedule/selection notice/agreement.....

Latest payment CC.....& Part/Final in CBV.....

dated.....for an up-to-date value of Rs.....

- (v) Detailed discussion regarding award of work, delay in completion and other technical points need be furnished only if these particulars are essential to appreciate the irregularity commented in the report.
- (vi) Where important points have been taken up for comment and a detailed reply has been given by the department, there should be logical presentation of the stand of audit, meeting all the relevant points covered by the reply.
- (vii) Documents relating to an institution shall be arranged in the following order:
 1. Forwarding letter
 2. Title Sheet
 3. Questionnaire
 4. Index of Irregularities
 5. Questionnaire on Internal Control
 6. Minutes of Entry Meeting
 7. Minutes of Exit Meeting, if any.
 8. A&B Forms
 9. List of Service Books checked.
 10. Report of verification of Treasury remittances.
 11. Minutes of discussion on previous inspection reports.
 12. Draft inspection report with copies of documents, annexure(s), if any, attached in support of the remarks in the draft IR.
 13. Test Audit Notes in duplicate.
 14. Audit Enquiries along with replies filed in the chronological order.
 15. Rough Working Sheets.

- (viii) Reference to page number of the calculation sheet and copies of documents filed with the rough notes may be indicated against the facts and figures given in the draft report for verification during edition. (*Circular No. 8 of CASS (Works) dt 28-8-86*).
- (ix) Reference to the Audit Enquiry concerned and the name of person who initiated the para should be noted in the margin of each paragraph in the draft IR.
- (x) The Inspecting Officer should also get a certificate recorded at the end of the IR as under by the officer whose office has been inspected.

“Discussed and facts verified”
- (xi) In cases of major financial irregularities, it is essential that the Inspecting Officer should collect all necessary data that are likely to be required for finalizing draft paras for the Audit Report. The facts should be got verified from the local authorities and the matter fully discussed with them.

5.02 Form of Inspection Report

1. The results of local audit and inspections should be set forth in an inspection report consisting of the following parts:

Part-I

- (a) Introductory
- (b) Outstanding Objections in brief from previous reports.
- (c) Schedule of persistent irregularities.

Part-II

Section A: Major Irregularities that are likely to materialize into draft paragraphs of the Audit Report and cases of system failure.

Section B: Irregularities, which though not major, are required to be brought to the notice of higher authorities and followed up by Accountant

General and instances of recoveries to be effected or regularized.

Part-III

Test Audit Notes containing minor irregularities, to which a schedule of items settled on the spot should be attached. The procedural irregularities in respect of which the head of the office has held out assurances about following correct procedure in future should be noted in this schedule.

(Para 6.1.20 of MSO (Audit))

The paragraphs which comments about non-tax revenue receipts may be separately included as “Section C” under Part-II.

2. Each Inspecting Officer should write out the report himself and not leave it to his subordinate to do the drafting. The idea behind the instruction is to ensure the accuracy of the statements incorporated in the reports, the cogency of the arguments developed and moderation and preciseness in the language employed. There is, however, no objection to his sending typed copy of the report to Headquarters Section.

(Hqrs DO No. 388-Admn.I/55 dt. 9-12-55 and Hqrs Secret letter No. 1604-Admn.II/20-63 dt. 12-9-63)

3. A specimen of the title sheet to be used for PW Inspection Report is given as Annexure-I to this Chapter and Index of Irregularities in Annexure-II. Part III of the Report (Test Audit Notes) should be in duplicate and the Inspecting Officer should record his approval in the duplicate copy.

5.03 Draft Paragraphs for the Audit Report

- (1) The Inspecting Officers should always keep in mind that the cardinal objective behind the increase in the duration of audit of major executive Divisions is to secure as many draft paragraphs as possible for inclusion in the Report of the CAG. It is clear that when the tempo of expenditure is on the increase, there should be ample scope for preparing suitable draft paras for inclusion in the Report of the CAG.

Hence, in order to tone up the quality of the inspection reports and make them draft para oriented, each Supervising Officer should try to send at least one draft paragraph with every inspection report. The draft paragraph should be sent direct to the Group Officer by name. It should also be borne in mind that the number and quality of the draft paras the Supervising Officer is able to feed the audit report will be the main criterion for deciding the quality of the inspection report and the efficiency of the inspection conducted.

(2) The Inspecting Officers and the P.W. parties may examine the following:

- (i) Preparation of faulty estimates owing to inadequate investigation leading to revision of estimates either due to abnormal increase in quantities of items or for other reasons.
- (ii) Irregularities in the acceptance of tenders for works including delay in their acceptance within the validity period of the tender;
- (iii) Award of work before finalization of designs, leading to delayed execution of works/termination of contract, resulting in extra expenditure;
- (iv) Irregularities in the execution of works resulting in infructuous expenditure due to administrative or technical lapses;
- (v) Unauthorized financial aid to contractors;
- (vi) Delay in the commencement of sanctioned works with analysis of the reasons therefor;
- (vii) Premature issue of materials or excessive issue of materials to contractors on the one hand and delay in the issue of departmental materials leading to delayed execution of work or termination of contract on the other;

- (viii) Delay in the acquisition of land leading to stoppage of work or termination of settled contracts;
- (ix) Cases of abandoned works including cases of incomplete works, execution in respect of which has not been resumed for a long period;
- (x) Roads constructed but not thrown open for traffic owing to non-construction of bridge/or for any other reason. This should cover also bridges constructed but not made use of owing to non-construction of approach roads;
- (xi) Collapse of structures constructed owing to technical lapses;
- (xii) General defects in the execution of minor irrigation schemes, lift irrigation schemes, etc., which should include a case study of two or three schemes;
- (xiii) Analysis of outstanding balances under “Cash Settlement Suspense” and “Misc. Works Advances” and comments on major irregular transactions;
- (xiv) Irregularities in measurement/check measurement of works including cases of failure to check measure the works to the prescribed extent; and
- (xv) **Review of the functioning of Letters of Credit System:** Amounts due to contractors on work bills are debited to works and transfer credited to PW deposit and such amounts are released after a few days. This course is adopted to circumvent the letter of credit system since refund of deposit is exempted from the purview of Letter of Credit System. The parties should examine such irregular practices and make suitable comments in the inspection reports (CASS(W) Circular No. 7 dated 31-7-86).

Government in Circular No. 91/87/Fin/ dt. 27-11-1987 have given strict instructions not to resort to the practice of making payment of contractors' bills through the deposit head.

(CASS(W) file No. I(b)/15-616)

5.04 Clearance of Outstanding Objections and Inspection Reports

(1) The statement of objections and outstanding inspection reports forwarded to the parties from the Headquarters Office should be attended to with a view to clearing maximum number of items. The Inspecting Officers/Local Audit Parties should while reporting the results of on the spot settlement of the items through the prescribed statements in Forms A (Annexure III) and B (Annexure-III) invariably record remarks as to the nature of the discussions they had with the departmental officers and the results thereof. The duty of the Supervising Officer/AAO/SO is not confined to transmitting lists of objections/paras to the departmental officers for replies and forwarding the same to Headquarters office without factual verification of the replies, and definite recommendations whether the objections/paras of the inspection reports can be dropped or not. During local verification, the Supervising Officer/AAO/SO should ensure that no item for which replies have already been furnished by the office inspected are included by the Headquarters office in the list sent to them. If any such cases come to notice, the matter should be specifically reported to the Group Officer.

(WM Circular No.5 dated 2-12-1963)

(2) The Inspecting Officer or the senior Assistant Audit Officer in charge of the party should set apart one day or part of a day depending on the number of outstanding paras for discussion of old inspection report paras and objections with the head of the office or the officer in charge of audit objections. The date should be fixed in consultation with the office authorities and the head of office should be requested to be present on that day with replies to pending items. Detailed minutes of the discussions should be drawn up after discussion and forwarded with the draft IR. The minute should indicate the items discussed,

explanation/replies given by the head of office, final decision taken, etc.

Inspection Reports of 5 year or older period which have not been proposed to be closed in the discussion should be carried forward in the current IR, updating the position. After carrying forward, such IR should be proposed for closure.

If such a discussion could not be conducted in a particular office, the reasons therefor should be indicated.

(CAG's D.O No. 27-Audit (AP)/34-2001 dt. 4-6-02 & Circular No. IAU(W)/Ib/15-Misc/02-03/121 dt. 2-7-02)

5.05 Clearance of outstanding items under Suspense and Remittance Heads

The Public Works Inspection Parties are to be supplied by the IAU (Works) with lists of outstanding items under CSS Account (both claims originating in the Division or office and claims raised by others) and remittance heads (I. Remittances into Treasures, II. Cheques and III. Other Remittances-Items adjustable by PWD) in respect of each of the Division/office. The inspection parties and the supervising officers should bestow their personal attention on the verification and clearance of the items. The verification in respect of remittances should include a special investigation at the treasury of unpaired paid cheques and unacknowledged remittances of the Division pertaining to the selected month and in respect of CSS Account, a cross verification by visit to concerned Divisions/offices of the locality to the extent possible. The lists should be returned to the Headquarters section along with a report in Form 'C' (Annexure V) to be attached to the inspection report. IAU (Works) should take further action on the verified lists. The inspection parties should also verify whether all the prescribed registers have been maintained by the Division/office visited, investigate and analyse the reasons for large outstandings and make suitable comments in the IR.

(WM Circular No. 37 dated 1-8-1977)

Note: *In regard to items advised for adjustment by the Division and outstanding under IAPWD, the clearance should be effected by the PW parties with reference to the lists received from the Headquarters section. After noting the result of verification against each of the outstanding items, the list may be returned along with the other documents to the Headquarters section.*

5.06 Examination of the Draft Inspection Report

(i) The draft inspection report should on receipt be entered in the Register of Draft Inspection Reports maintained in the IAU (Works) Section and handed over to the AAO/SO dealing with the Division/Office. The report should then be subjected to preliminary checks by the unit in regard to the formalities to be observed such as proper filling of title sheet, furnishing the required certificates, enclosures, special reports etc. The AAO/SO concerned will go through the IR, examine the correctness and completeness of the objections raised and suggest whether any further materials should be collected in the matter. The scrutiny should be particularly done in the case of paragraphs in the inspection reports which may result in mention of the cases in the Audit Report. No lengthy noting should be attempted but the results of the scrutiny should be recorded in the edition memo in the form given in Annexure-VI to this chapter and the draft IR submitted to the Group Officer for approval.

(ii) In scrutinizing draft inspection reports, the Group Officer will omit matters which are put into the reports merely to increase their bulk. He will mark for the register of financial irregularities any paragraphs, which are in his opinion worthy of further pursuit or important enough to go into the report of the CAG but have not been already so marked by the Inspecting Officer or the inspecting AAO/AO. He will then finally approve all such inspection reports. Paragraphs if marked for inclusion in the register of financial irregularities should be noted in that register. Inspection reports on special audits or where frauds etc., are disclosed and inspection reports which in the Group Officer's opinion contain irregularities and points of importance which should be brought to the notice of the Accountant General (Audit) should usually be submitted to him.

(iii) All cases which are likely to develop into draft paras should be examined carefully and intelligently by the Headquarters Section in consultation with the Section concerned wherever necessary and orders of the Group Officer obtained. The paras edited and finalized after such examination should be sent to the Heads of Departments, etc., separately as a note with suitable covering letter in the inspection report file itself. The report should

simultaneously be made available to Government also. The inspection reports will be considered as finally issued only after this action is completed.

(TM. IV/11-61/39 dated 3-10-1962)

(iv) At the time of vetting the inspection report, the Branch Officer in charge of the Headquarters section will satisfy himself that only such objections or observations as merit inclusion in the inspection report have been included therein and record a certificate to the effect that the Report includes only objections of a serious nature.

(Para 6.2.9 of MSO (Audit))

(v) With a view to adjust ourselves to the changing pattern of office work, it has been decided to explore the possibility of preparing the draft inspection reports on computers. During local audit, if computers and computer operators are available, party may try to prepare the draft IR in computers. In such cases floppy of the draft IR along with a hard copy may be forwarded to Headquarters section.

(Circular DAG (Works)/Ib/15-Misc/01-02/392 dated 15-3-2002)

5.07 Forwarding of Inspection Reports

(1) It has been decided by the CAG of India in consultation with the Ministry of Law that the inspection report as finally issued to Administration or head of office inspected after scrutiny and editing in the headquarters office of an Accountant General should be formally signed by the Sr.DAG or by a Gazetted Officer who has dealt with the draft report at headquarters if it is not possible to get it signed by the Inspecting Officer himself. The forwarding letter or endorsement should be worded as "I forward herewith the report on..... If more than one copy is sent the forwarding letter should make it clear that the inspection report on the accounts of.....with.....spare copies is being sent.

(CAG's D.O. No. 418/Admn.I/165-57 dated 9-2-1959)

(2) In addition to the copy or copies of the inspection reports sent to the head of the Government Office or institution inspected, a copy of the inspection report should also be sent simultaneously to the next higher authority and his attention invited specially to any important items or serious

irregularities or other points requiring his special attention. If the next higher authority happens to be an official other than the Administrative Ministry/ Department of Government, it is for this official to consider the necessity of forwarding a copy of the inspection report to the Ministry or Department in whole or in part. It is not necessary for audit to send copy of the inspection report to the Administrative Ministry/Department separately unless such a request is made by the Ministry or Department.

(Letter No. 2205-Admn.II/608/Admn.I/58 dated 11-9-1959 of CAG of India case OA I/2-48/59-60)

5.08 The time schedule for receipt and issue of Inspection Reports after completion of inspection.

The time schedule fixed by headquarters for the receipt and issue of inspection report is as under:

- i) Five working days for the receipt of the draft IR from the field party.
- ii) Five working days for the headquarters section to submit the report to Branch Officer.
- iii) Four working days for the Branch Officer and Group Officer to pass the report.
- iv) Ten working days for typing and issue of the report.

Total 24 working days, say One month)

(Hqrs Circular No. 125-Audit (AP)/109-95 dt 2-8-2004)

Note: *All PW Parties should forward the draft inspection reports on the last day of audit itself or on the next day so that they are received in Headquarters section within five days. Audit Officers where they supervise should check up that the parties have sent the draft inspection reports immediately after audit. If any delay is anticipated, the matter should be specially brought to the notice of the Group Officer in a note clearly indicating the reasons therefor and also period of extension sought for.*

(Circular OA (HQ)I/General/4-1/86-87/18 dtd 16-1-87)

5.09 Audit on behalf of other Accountants General

In respect of audits undertaken on behalf of other Accountants General, the preliminary audit enquiries, replies thereto and the draft report on the local audit should be forwarded in original to the Accountant General concerned after retaining copies thereof. For this purpose, the local audit parties should furnish the draft report and connected papers in duplicate.

(CAG's Circular No. 71-74/1/80 issued in No. 1463-74/I/149 dated 4-12-'80)

5.10 Ranking of Inspection Reports

As per Headquarters office letter No. 207-Audit (AP)/16-2004 dated 22-11-2004, a Ranking System has been devised for Audit Offices. The Ranking System is for inter-year comparison of audit offices rather than for inter-state comparison. The objective of this mechanism is to improve the functioning of the audit offices and as a bench mark for future improvement.

Parameters for ranking, broad ranking principle, detailed ranking mechanism for each parameter, categorization of paras in Civil inspection reports etc., are detailed in Annexure VII to this chapter.

5.11 Performance Register for field parties

(1) In the Group Officers meeting held on 18-1-2002 it was decided to maintain an exclusive performance register, party wise. This register will also serve as a selection register for review of inspection reports by the Accountant General. The details of performance of a party will be recorded continuously for a year. For this, a few pages in the register may be exclusively allotted to each party. In the Register, brief particulars of Part-II A and B paras may be recorded with money value of objection and name of the officer who contributed the para. The register may be maintained by the Group Controlling Sections and submit monthly to the Group Officers by 10th of succeeding month and to the Accountant General by 10th of April, July, October and January.

(Note No. DAG (W)/TCR/2001-02 dated 4.2.2002)

A uniform format of the Performance-cum-Selection Register for use by all the Groups, prescribed by the Accountant General is given in Annexure-VIII to this chapter *(Note No. AG (Au)/Sectt dated 18-4-02)*.

(2) As average points of the inspection reports are to be assessed for assessing the quality of each inspection report, the points as indicated in Para 5.10 above are to be allotted to each para in the Performance Register.

5.12 Watching of objections arising out of local inspection

The following instructions should be followed in recording Objections which arise out of local inspection:

- (i) Part I and II should also be treated as Objection Statements and dealt with in the manner laid down in Section IV, Chapter 4 of MSO (Audit) (*Para 6.2.11 of MSO (A)*).
- (ii) Hence, before the inspection report is put up for approval, all items of objections should be entered in the Objection Book and a certificate to that effect recorded while submitting the inspection report for approval.
- (iii) Only those objections arising out of local audit that can be quantified in terms of their money value need be registered in the Objection Book. Exceptions to some categories of objections, even though quantifiable, are given in Para 7.2.11 of MSO (Audit).

5.13 Watching of replies to Inspection Reports and Test Audit Notes

(i) As per instructions in Kerala Financial Code, the first replies to the inspection report should be submitted to the Accountant General within four weeks from the date of receipt of the inspection report, through the Superintending Engineer after the Divisional Officer has recorded his replies thereon. The Superintending Engineer will pass orders in respect of matters which he is competent to deal with finally and record his remarks (with a note of action taken) on all other points before returning the report to the Accountant General. As an exception, the Divisional Officer may send the first reply to AG with a copy of the reply to the Superintending Engineer.

(Art. 63(c) of KFC Vol. I and Para 4.5.3 of KPWA Code)

(ii) All cases where first reply to the inspection report has not been received within one month from the date of issue, should be pursued

with the departmental officers through demi-official letters for a further period of two months. If the departmental officers fail to furnish the reply within this period of 3 months, their names should be reported to Government in the Administrative Department for taking action in terms of Art. 63 (a) of KFC Vol. I (3rd Edition – revised).

Name of officers who repeatedly delay the first reply should also be reported separately to Government in the Administrative Department concerned for taking suitable action against them.

The due date for issue of D.O. letters for reporting to Administrative Department is fixed as 9th of every month. The number and date of letter issued to the departmental officer/administrative department should be noted in the Progress Register of Settlement of Inspection Reports.

(File No. OA-I/2-63-66-67 Vol. VIII)

(iii) On receipt of the replies of the head of the office, to the inspection report and the comments of the controlling officer/head of the department thereon, the headquarters section will dispose of points not requiring the attention of the Government and return one copy to the Head of the Department with further remarks.

The subsequent procedure for the final disposal of the inspection report with regard to the outstanding paragraphs which could not be settled from the replies to the inspection report is to settle them through correspondence. The clearance of paragraphs in the inspection reports is watched through the progress register of settlement of inspection reports maintained in the headquarters section.

5.14 Half yearly Statement of Inspection Reports

A list of inspection reports which remain unsettled for over six months is to be forwarded to the State Government in the Administrative Department half-yearly and also to the Departmental Officers on 20th April and 20th October every year.

(Para 7.1-12(iii) of MSO (Audit) and Para 11.26 of Central Audit Manual)

In respect of inspection reports relating to Lakshadweep Divisions (see Para 2.09 of this Manual), the half-yearly statements of inspection reports are to be forwarded to the Ministries concerned of Union Government.

(Para 11.27 of Central Audit Manual)

5.15 Audit Committees

(1) For speedy settlement of Audit Objections/Inspection Reports, Government of Kerala have at the instance of Audit constituted two Audit Committees, viz.,

- (i) a Committee for each department at Secretariat level to be chaired by the Secretary to Government which will include the Head of the Department, a senior officer of the office of the AG (Audit) Kerala, and one officer of the Finance Department, Government of Kerala. The Committee will meet every month to review the progress of clearance of audit objections/inspection reports; and
- (ii) a committee consisting of the Head of the Department, the Dy.Accountant General and the Finance Officer attached to the department to review every month the pendency and clearance of audit objections/inspection reports at the Department level.

(D.O.Lr. No. Co-ordn (Au)/11-43/86-87/I dated 11-4-86 & Govt. of Kerala (Finance Department) Circular No. 54/ 86/Fin dated 15-7-86 – File Co-ordn (Au)/11-43/Vol. II & III).

(2) Government of Kerala has instructed all the Heads of Departments and offices to display a proper supportive attitude towards the audit process by conducting quarterly Audit Committee meetings to review the progress achieved in clearing IR paras in the Administrative Departments. Government reiterated the need for appointing nodal officers for this exercise in Heads of Departments/Offices so that it is properly coordinated, monitored and controlled. The Heads of Departments and Administrative Department's concerned should intimate the name, designation and contact numbers of the nodal officers to the AG (Audit) for effective interaction at frequent intervals. Government will be compelled to decide not to release funds in a routine

manner to those departments which have huge number of IR/Paras after March 2004 in line with the recommendations contained in 92nd Report of the PAC (1998-2000).

(Circular No. 6/2004/Fin dated 20-1-2004 of Finance (PAC) Department)

ANNEXURE-I
Vide Para 5.02.3)

TITLE SHEET OF THE INSPECTION REPORT – PW PARTY No.....
(To be submitted with every Inspection Report)

Part A

1. Name of the Institution with full postal address, location and Phone Number :
2. Name of EE/SE/CE during the period :
3. Name of the Divisional Accountant/ Superintendent showing the period :
4. Period of Account :
5. (a) Expenditure for the previous financial year ended in March and expenditure for the current year (up to the month of audit) :
 - (i) Establishment Expenditure :
 - (ii) Works Expenditure (Plan) :
 - (iii) Works Expenditure (Non-Plan) :
 - (iv) Expenditure on Deposit Works
- (b) Details of Annual receipts :
6. Name of
 - (i) Supervising Audit Officer :
 - (ii) Assistant Audit Officer :
 - (iii) Addl.Asst.Audit Officer/Section Officer :
 - (iv) Auditors (1) :
 - (2) :
7. (a) Months selected for detailed audit :
- (b) Months selected for checking Arithmetical Accuracy :
8. Date of commencement of audit :
9. Date of completion of audit :
10. Date of issue of last batch of audit memo :
11. Number of audit memos issued :

12. Date of receipt of reply to the above :
13. Actual time taken for audit and whether any change in the time allotment is necessary (with reasons/justifications) :
14. Name of one major work and two minor works selected for complete analysis and examination :
15. Name of sub-division, if any, selected for test audit :
16. Important paragraphs of the report which are fit for inclusion in the register of financial irregularities :
17. Draft Paras enclosed for inclusion in the Audit Report :
18. Paragraphs in which any embezzlement detected or suspected by audit included :
19. Paras, if any, to be reported to higher authorities in advance and or to be brought to the special notice of the Central Audit :
20. Number of preliminary objections, memoranda and rough working sheets sent :
21. Total money value of objections (Vide Paras.....) :
22. Total cost recoveries suggested (Vide Paras.....) :
23. General remarks, if any. :
24. Date of submission of report to Headquarters :

Camp:
Date:

Assistant Audit Officer

Countersigned

Camp:
Date:

Supervising Audit Officer

Part B

1. Whether statement of outstanding objections :
have been given to the Head of the office inspected and if so, whether the same has been attached with the replies
2. Whether lists showing the allocation of duties :
amongst the members of the party, including the Inspecting Audit Officer, has been sent in proforma-I
3. Whether list showing the records brought from :
the Hqrs. and the uses they were put to has been sent in proforma-II
4. Whether list showing the documents and :
records checked and extent of percentage of audit exercised on each and the detailed process of audit has been submitted in proforma-III.
5. Whether the foils of paid cheques brought :
from audit office have been checked in detail as contemplated in para 35 of SMI and if not, reasons therefor
6. Whether service books checked to the extent :
prescribed and audit enforcement made as required and a statement of Service Books checked attached (see Para 3.47 of WI Manual)
7. Whether leave accounts have been checked :
8. Whether the register of immovable properties :
in form No. 2 A is maintained as required in the memorandum No. 26042/EA3/62/Fin. Dt. 18-6-62 and the same checked.
9. Whether the Division is following the latest :
schedule of rates in framing estimates for the works
10. Whether the checks required to be exercised in :
Register of Works have been conducted in respect of the initial records (see Para 3.24 of WI Manual).
11. Whether critical examination of the items :
outstanding under deposits and suspense heads has been done and commented in the report.
12. Whether the reasons for the non-submission or :
delayed submission of the schedules have been

- investigated and necessary comments made in the report.
13. Whether the index of irregularities has been attached :
 14. Whether statement of important irregularities has been attached :
 15. Whether correction slip to the PW Inspection Manual has been sent :
 16. Whether Forms A, B & C and special reports directed to be furnished along with the report are attached (see Para 5.04 of WI Manual).
 17. Whether the details in prescribed forms regarding inter-divisional transfer of tools and plants and surplus and unserviceable material pending disposal has been attached as required in Para 3.18(c) of WI Manual.

Part C

1. Certified that all points in the previous inspection reports and all points from the audit notes book and points marked for next audit by the Central Office have been reviewed and action taken thereon indicated in separate notes.
2. Certified that in respect of nominal audit, audit of increment certificates, pay fixation on promotion/reversion, Service Books and leave accounts, office copies of bills and acquittance rolls, and leave accounts, office copies of bills, the prescribed checks have been checked to the extent prescribed.
3. Certified that 10% of the work done by the auditors has been test checked.
4. Certified that all the points raised in the Report and in the appendix have been discussed by me personally with the (Designation of the officer to be mentioned here) and that the facts mentioned therein have also been verified by him.
5. Certified that the items of work which have to be personally attended to by me as per Para 53 of the Secret Memorandum of Instructions and Para 3.03 of WI Manual have been fully carried out.
6. Certified that the progressive totals of works costing less than Rs. 1 crore have been checked as prescribed in Para 3.24.1 (b) of Manual of Public Works Inspection (Second Edition).

(Vide Circular No. 10 dt. 6-8-1987 – CASS(W)/I(b)-15/Misc/87-88 dated 6-8-1987).

Camp:

Date:

Assistant Audit Officer/Audit Officer

FOR USE IN THE HEADQUARTERS ONLY

1. Entered in the progress register of Inspection Reports for
Page No. :
Item No. :
2. Entered in the register of Draft Paras
Page No. :
Item No. :
3. Whether paras marked for advance intimation to higher authorities and Central Audit Office have been reported to them :
4. Whether the statement of Important Irregularities have been sent :
5. Objection Book in which the objections involving money value have been included
Page No. :
Item No. :

Remarks by DAG (Works)

ASST.AUDIT OFFICER/
SR.AUDIT OFFICER/IAU(WORKS)

PROFORMA No. I
(Duty List of PW Party)

1. Name of the office inspected :
2. Dates of audit :
3. Months selected for detailed audit and for check of Arithmetical accuracy :
4. Name of supervising Audit Officer :
5. Name of inspecting AAO :
6. Name of Addl. AAO/SO :
7. Names of Auditors (1) :
(2) :
8. Details of work allotted to and certified as completed by each member :

Sl. No.	Name	Work allotted and completed	Full Signature	Initials

Supervising Audit Officer/Asst.Audit Officer

PROFORMA No. II

(List showing Records and Vouchers etc., brought from headquarters)

Sl. No.	Particulars of Records etc.	Uses put to

Supervising Audit Officer/Asst.Audit Officer

PROFORMA No. III

(List showing Records and Documents checked)

- Names of
1. Supervising Asst.Audit Officer :
 2. Addl. Asst.Audit Officer/S.O :
 3. Auditors (1) :
 - (2) :

Sl. No.	Name of record/document	Extent of percentage of audit checked and progress of audit conducted

Asst. Audit Officer

Note:

- 1: *The supervising officer will see whether the local audit party has discharged its duties thoroughly. He should particularly state whether the inspecting Asst.Audit Officer has either omitted to audit any accounts or to exercise the prescribed checks.*
- 2: *Documents etc., not produced for audit should be mentioned in the inspection report together with the checks which could not be exercised on that account and the likely effect of this omission.*

ANNEXURE-II
(Vide Para 5.02.3)

Index of Irregularities

Name of Division.....
(To be handed over to General Unit)
Give ref. to para number in the I.R. or T.A.N.)

Index	Ref. to Para	Irregularities
I	Accounts	Defect in preparations
II	Appropriation	..... Irregularities connected with re-appropriation, irregularities connected with expenditure against appropriation.
III	Adjustments	..... (1) Irregularities in adjustment (2) Fictitious adjustments in March
IV	Cash	..... Withdrawal and custody of cash remittance into treasury. Grant of Imprest and temporary advance.
V	Cheques	..... Irregular drawal of Cheque to prevent lapse of grant. Rush of expenditure in March.
VI	Cash Book	..... Irregularities in posting and irregularities in verification.
VII	Cash Book	..... Imprest irregularity in rendering accounts.
VIII	Cash Book	..... Temporary Advance in rendering accounts.
IX	Contracts	..... (i) Settlement of contract by negotiation instead of competitive tenders. (ii) Lack of publicity for tender notice. (iii) Acceptance of tenders other than the lowest. (iv) Peculiarities on contracts including special conditions and incomplete specifications. (v) Extension of time granted to contractors. Note separately as below: 3 months or more 6 months or more 1 year or more 2 years or more In case over 1 year, the name of work should also be noted. (vi) Cases of waiver/ relaxation of terms of agreement executed by contractors. If amount involved is over Rs.1,000 the authority who waived the amount involved/ relaxed the clause should be noted.
X	Contractors	..... Maintenance of an up-to-date list of contractors tested periodically for solvency.

XI	Contractor's Ledger	.....	Irregularities in maintenance. Delays in payment of recoveries of due, disputed claims.
XII	Delays	.....	In receipt of (a) accounts, schedules etc., (b) vouchers and stamped receipts (c) schedules of settlement with treasuries (d) periodical returns of stocks and tools and plants (e) sanctions to estimates, sanctions by officers higher than the Divisional Officers (f) replies to audit notes and objection statements (g) replies to inspection reports, special reports, completion reports and statements.
XIII	Deposits	.....	(i) Delay in recovery of securities from subordinates and contractors. (ii) Defects in the custody of interest bearing securities due to delay in realization of interest, acknowledgement of individuals either for safe custody or return etc. bonds etc. (iii) Defects in the lapse of deposits.
XIV	Embezzlement and fraud		
XV	Estimate for works	.....	(i) Starting works without estimate (ii) Splitting up of estimates (iii) Communication of sanctions (iv) Revision of sanctioned estimates. If in any case excess is 25% or more, then the name of the work should be noted. Information should be noted under 2 categories. (i) Defective estimating Officers responsible (ii) Other cases.
XVI	Infructuous expenditure	.....	In each case, e.g. infructuous expenditure on advertisement etc. amount should also be specified.
XVII	Log Books	.....	Lorries, plants and machinery, petrol, recovery of hire charges etc.
XVIII	Losses	.....	Cash, stores, tools and other losses
IX	Measurement Books	.....
XX	Muster rolls	.....
XXI	Materials at site account	.....
XXII	Manufacture account	.....
XXIII	Project works	.....
XXIV	Pay and Allowances	.....

XXV	Powers	.....	Splitting up of estimates Splitting up of contracts Improper issue of stores Grants of unauthorized aids
XXVI	Records	.....	Non-production of records during inspection.
XXVII	Register of work and works abstracts	.....	Delay in closing accounts, unsettled liabilities etc.
XXVIII	Miscellaneous Register	.....	Whether maintained up-to-date
XXIX	Road metal rate book	.....	Whether maintained up to date
XXX	Road metal account	.....	(i) Delay in submission (ii) Irregular maintenance (iii) Periodical verification
XXXI	Schedule of rate	.....	Irregularities in revision.
XXXII	Stock	.....	Reserve limit/unnecessary accumulation/Revision of rates and periodical closing.
XXXIII	Other suspense accounts		
XXXIV	Settlement of remittance		
XXXV	Sub Divisional Accounts	.....	Irregularities in maintenance, delay in submitting Returns, other irregularities.
XXXVI	Tools & Plants	.....	Irregularities in hire of tools and plant. Periodical verification, shortages etc. Other irregularities.
XXXVII	Works charged establishment	.....	Irregular employment, maintenance of register.
XXXVIII	Amounts shown as recoverable in the inspection records	.....	(i) Definitely recoverable owing to excess payments, recoveries not made. (ii) Considered by audit as recoverable and taken up with EE/SE/CE/Govt.
XXXIX	Non-inspection of sub-divisional offices by Supt. Engineer	.....
XL	Non-inspection of sub-divisional offices by Executive Engineers and Divisional Acctts.		
XLI	Discrepancies between dates or measurements recorded in TA Journals or subordinates concerned		

Supervising Audit Officer/Asst. Audit Officer
(PW Inspection Party No.....)

NAME OF DIVISION.....

**OUTSTANDING BALANCES AS ON 31ST MARCH AND GENERAL
POSITION OF WORKS ACCOUNTS**
(To be handed over to General Unit)

- | | | | | |
|----|---------------------|-----------------------|---------------|--|
| 1. | Cash balance..... | Cash Rs..... | Imprest Temp. | |
| | | Adv. Rs..... | | |
| 2. | Suspense Stock..... | Reserve limit Rs..... | | |
| | | Balance Rs..... | | |

- | | | Item | Amount | |
|----|-----------------------------|------|--------|----|
| | | | Rs. | Ps |
| 3. | PW Deposit | : | | |
| 4. | Misc Work Advance | : | | |
| 5. | CSS Account (Originating) | : | | |
| 6. | CSS Account (Responding) | : | | |
| 7. | Item adjustable by PWD | : | | |
| 8. | Register of liabilities | : | | |
| 9. | Register of advance payment | : | | |

GENERAL POSITION

- | | | | | |
|----|---|---|--|--|
| 1. | CE's inspection of Divisional Offices | : | | |
| 2. | EE's inspection of sub-divisional offices | : | | |
| 3. | Schedule of settlement with treasuries | : | | |
| | Part I | : | | |
| | Part II | : | | |
| 4. | Reconciliation with the treasury | : | | |

Remittances-Differences as on.....Rs.....

Cheques-Differences as on.....Rs.....

- | | | | | |
|----|--|---|-------------|-------------------------|
| 5. | Excess over sanctioned estimate | : | Of works | Amount |
| 6. | Expenditure against works not technically sanctioned | : | | |
| 7. | Excess over allotment | : | <u>Year</u> | <u>Pars outstanding</u> |
| 8. | Outstanding Rs. | : | | |
| 9. | Outstanding audit objections | : | | |

ARREARS IN POSTING REGISTERS

- | | | | <u>Year</u> | <u>Amount</u> |
|----|---|---|-------------|---------------|
| 1. | Register of works & works abstract | : | | |
| 2. | Materials at site account | : | | |
| 3. | Stock account | : | | |
| 4. | Road metal account | : | | |
| 5. | Tools & Plant | : | | |
| 6. | Contractor's ledger | : | | |
| 7. | No. of works completed but CRS not recorded | : | | |
| 8. | Date of last physical verification | : | | |

Asst. Audit Officer/Audit Officer
Camp.....Dn.....

ANNEXURE – III
FORM A
(Vide Para 5.04)

Statement of objection cleared through PW Party No.....

Name of Office inspected.....Name of Inspecting Officer.....

Name of section which attended to Central Audit.....Name of Asst.Audit Officer/Section Officer.....

Period of objections communicated		Objections recommended for clearance		Clearance carried out by Central Audit Section		Balance		Remarks	
Item	Amount	Item	Amount	Item	Amount	Item	Amount	Item	Amount
	(1)		(2)		(3)		(4)		(5)

Place:

Date:

Inspecting Officer/Asst.Audit Officer/Section Officer

The clearance entered in Column 4 has been carried out in the accounts.....
of the objection book.

Asst.Audit Officer/Section Officer

-
1. This form should accompany every inspection report.
 2. On receipt back from PW Party, IAU (W) Section would carry out the adjustment and fill up Col. 4 and 5. The reason for non-clearance of objections should be indicated clearly.

ANNEXURE-IV

FORM B

(Vide Para 5.04)

(For the clearance of outstanding paras in previous Inspection Reports)

Name of Division Inspected..... Name of Inspecting Officer.....

Name of Inspecting Asst.Audit Officer/Section Officer.....

File No. of Inspection Report	Period of I.R.	Number of paras communicated to the party	No. of paras recommended for clearance by the party	No. of paras cleared in Central Office	No. of paras still outstanding	Reasons for non- clearance
(1)	(2)	(3)	(4)	(5)	(6)	(7)

Asst. Audit Officer
PW Party No.....

This statement should be accompanied by separate notes for each Inspection report containing the particulars of the paras in one inspection report communicated to the party and the specific recommendations of the party for the clearance of the paras indicated in Col. (5).

ANNEXURE-V
STATEMENT FORM "C"

(Vide Para 5.05)

A. Particulars of clearance of the outstanding items under Suspense and Remittance heads of accounts

No. of items communicated	No. of items recommended for clearance by the party	Reasons for the non-clearance of the balance item	No. of items cleared by Central Audit Section	State of initial records of the Division	Remarks
(1)	(2)	(3)	(4)	(5)	(6)

Note: Separate figures should be given for each category of the Suspense and Remittance items.

B. Particulars of the special verification at the Treasury

Selected month/s	No. of items communicated	No. of items verified at the Treasury	Reasons for the non-verification of the balance items	No. of items cleared by Central Audit Section	Remarks
(1)	(2)	(3)	(4)	(5)	(6)

Note: Separate figures should be given for the two categories of unpaired paid cheques of the Treasury and un-responded remittances of the Divisions

Asst. Audit Officer

PW Party No.....

ANNEXURE-VI
[Vide Para 5.06 (i)]

IAU (Works)
Office of the
Principal Accountant General (Audit) Kerala
Branch: Thrissur

To be issued by :..... (Date)

INSPECTION REPORT EDITION MEMO

Division inspected: _____

Report Received on: _____ (in time/..... days late)

II. Whether there are any points for audit report, if so, refer to paras:

Para: I-A/I-B Case No.

III. Anything objectionable or obviously untenable in the paras

Query Paras

IV. Proposed transposition of para (Query the para in question)

V. Whether necessary accompaniments have been received

VI. Any other remarks briefly.

Paras initiated by:

- (i) Inspecting Officer
- (ii) Inspecting Asst. Audit Officer
- (iii) Addl. Asst. Audit Officer/Section Officer
- (iv) Auditor

AO/Sr.AO/IAU(Works)/DAG(Works)

CHECK LIST OF ACTION IN IAU (WORKS)

I. Reference to Despatch of IR & TAN

IR:.....

TAN:.....

II. Paras to be communicated to other offices/sections

Para No.	Name of Office/Sections	Reference to Despatch No. Tr.
----------	-------------------------	-------------------------------

III. Paras to be noted in R.P.I./Regr. Of cases pursued through correspondence etc.

Para No.

Reference to entry Page No.

IV. First reply received on.....

V. Disposal of paras:

Para No. (with DP No.)	Reference to disposal	Nature of Disposal
------------------------	-----------------------	--------------------

VI. Dates of review of IR File

Date	initials
------	----------

ANNEXURE -VII

(Vide Para 5.10)

RANKING SYSTEM OF AUDIT OFFICES

A. Parameters for Ranking

1. Quality of Inspection Reports
2. Quality of Audit Reports
3. Quality of Implementation of Audit Plan
4. Timely issue of Inspection Reports
5. Frequency and effectiveness of Apex and Audit Committee meetings
6. Group Officers' inspections and their impact
7. Efforts made in vetting action taken notes
8. Efficiency in dispatch of material for audit reports to concerned functional wings in HQ in terms of specified milestones.
9. Training of personnel, particularly:
 - (a) Percentage utilization of slots allotted by RTI
 - (b) Percentage of earmarked training (induction course/refresher course)
10. Timely issue of Audit Certificates

B. Broad Ranking Principle

A ranking system based on the following hypothesis is proposed:

- (a) Each of the ten parameters is considered equally important as indicators of performance. Each parameter carries a maximum of 10 points.
- (b) The total score of 100 is proposed to be divided into the following categories:
 - i) 75 to 100 points : Category A
 - ii) 50 to 75 points : Category B
 - iii) 25 to 50 points : Category C
 - iv) 0 to 25 points : Category D

- (c) The grading is proposed to be done as an annual exercise, which will coincide with the audit cycle.

C. Detailed ranking mechanism for each parameter

1. Quality of Inspection Reports

- (i) The categorization is placed in Annexure-1. It has 10 categories of paras A to J with sub-categories inbuilt into each. It is proposed to assign points to each category on a declining scale; 10 points allotted to Category A paras and 1 point allotted to J Category. Thus, Category A paras are being given highest weightage, lesser weightage to Category B paras and so on with the least weightage on Category J paras. Civil and Railway Audit Offices may refer to the respective Annexure. The detailed assignment of points is given in Annexure-2.
- (ii) Inspection Report paras will need to be categorized and points allotted as per Annexure-2. Points obtained on each inspection report as per the categorization to be worked out. The average points for each inspection report are to be determined by dividing the total points obtained in the inspection report by the total number of paras in the report. A return may be sent to DG (Audit) in the proforma given in Annexure-3 by 15th April of each year for consolidation.
- (iii) To award points for this parameter on a scale of 10, the following formula is proposed:

$$\frac{\text{Sum of average points of all IRs issued in the year}}{\text{Total number of IRs issued}}$$

Corrected to the nearest number (a decimal more than 0.5 would be treated as 1 and less than 0.5 would be ignored).

2. Quality of Audit Reports

- (i) This is based on the weighted aggregate of money value as arrived at through the desirability-acceptability matrix. At present, this information is received in the report groups in HQ. It is proposed to request the report groups to forward this information (detailed audit office-wise) to DAG (Audit).

(ii) The ranking on this parameter is proposed to be done in the DG (Audit) wing in the following manner:

- a) The weighted money value per audit para for each of the 79 audit offices (including 46 civil, 14 MAB, 13 railways, 3 defence, 1 P&T and 2 overseas audit offices) shall be calculated by dividing the total weighted money value by the number of audit paras for that office.
- b) Offices within the same wing will be evaluated separately. The office with the maximum points in a wing will be determined and allotted maximum of 10 points. The other offices will be assigned points proportionately.

Points to be awarded to an audit office:

$$\frac{\text{Weighted money value per para for that office}}{\text{Max weighted money value per para}} \times 10$$

An example: *Say for audit office A in a particular wing, the weighted money value per para is 100 while the max weighted money value per para in that wing is 200. The points to be awarded to audit office A for quality of audit paras will be $(100/200) \times 10 = 5$.*

- c) The concerned Reports wing at Hqrs may forward these points to DG (Audit).

3. Quality of Implementation of Audit Plan

[Note: Audit Plan commits available resources to items of work over the year of plan, working out the best fit possible. The quality of implementation of audit plan could be judged by whether all proposed audits have been completed on schedule and whether the audits yielded expected outputs in terms of audit certificates, audit paras and performance audits of the desired quality on time. While timeliness of the outputs is being evaluated by parameter # 4 and 8, the quality of output is being judged through parameter # 1 and 2. Hence, it is proposed to confine this parameter to judgement of whether units planned have been audited. Implementation of IT Audit Plan by the office is also sought to be evaluated through this parameter].

The following mechanism of awarding points for this parameter is proposed:

- An audit office, which completes 90% of the audits scheduled or more in the audit plan within the year: 10 points.
- For every 1 percentage of audit units planned but not covered: 1 point is deducted.
- For offices that have failed to cover 80 percent or more of planned units: 0 points will be allotted.
- For each IT audit planned but not taken up: 2 points is proposed to be deducted.
- For each IT audit taken up, but not completed on time: a deduction of 1 point is proposed.
- For audit plans drawn up without using input of VLC data: a deduction of 2 points is proposed.

All audit offices send an annual return to DG (Audit) by 15th April of each year, providing information on the number of units proposed to be audited as per the audit plan in the past year and the number of units actually audited. The status of the IT audits planned for the year, completed and pending should also be indicated. Information may also be provided regarding usage of VLC data.

4. Timely issue of Inspection Reports

- (i) Inspection Reports (IRs) are to be issued within a time frame of 1 month from the last day of audit. The following mechanism of awarding points for assessing this parameter is proposed. To qualify for earning points, the audit office should not have a delay beyond two months in the issue of any IR over the year.

- 90% to 100% of IRs are issued within a month: 10 points.
- For each percentage shortfall, 1 point is proposed to be deducted
- No points to be allotted for offices where less than 80% IRs are issued within one month

- (ii) It is proposed that each audit office be requested to send information regarding issue of IRs in the format provided in Annexure-4 to DG (Audit) for further processing.

5. Frequency and effectiveness of Apex and Audit Committee meetings

[Note: (a) While audit committees have long been in existence, no norms have been provided yet, departmentally, regarding the frequency of their meetings. It is seen in fact that there is a wide divergence in the number of meetings being held in different audit offices. In this context, a grading based on the frequency of audit/apex committee meetings has been attempted providing a stress on defaulting departments/ministries.

(b) Effectiveness of an audit/apex committee would be reflected in the number of audit objections on which a convergence has been reached with the auditee. However, to fix a number of objections to be settled in each meeting as a norm is difficult given the widely varying volumes, complexity and importance of audit objections in different audit offices. There is a fear that such a target could be un-realistic, promoting settlement of audit objections for the mere sake of settlement. No grading of offices has hence been proposed on this aspect].

- (i) The following mechanism for awarding points on this parameter is proposed:

- To score on this parameter, audit offices are required to have at least one audit committee meeting in a year with each of the top 10 defaulting departments/ministries. Less than 10 meetings would fetch 0 points.
- For every extra meeting held: additional 2 points will be awarded.
- For an audit committee set up with a department in the year through efforts of audit, one additional point to be awarded.

- (ii) It is proposed that the audit offices be requested to send information relating to audit committee meetings to DG (Audit) in the format provided in Annexure-5.

6. Group Officers' inspection and their impact

[Note: The impact of group officers' supervision would be reflected in improved quality of IRs and improved contribution to audit reports. These are being assessed by parameter # 1 and 2. Hence, this parameter has been used to assess only the frequency of group officers' inspection.]

- (i) Each group officer in charge of audit assignments is supposed to carry out 7 days' inspection in a month. The following mechanism for awarding points on this parameter is proposed:
- An office where all group officers in charge of local audit have undertaken the mandatory number of supervisions: 10 points (the points will be awarded on a collective basis for all group officers in an officer rather than individual group officers).
 - For each 0.5% number of supervisions not conducted, a deduction of 1 point is proposed.
 - For more than 5% of total stipulated supervisions not done, the office gets 0 points on this account.
- (ii) Information regarding group officers' supervision is already being received in the DG (Audit) wing. This information can be utilized for grading of offices on this parameter.

7. Efforts made in vetting action taken notes

- (i) Action taken notes (ATNs) need to be vetted promptly and submitted to the respective PAC. The following mechanism of awarding points on this parameter is suggested:

For an office where

Average period of vetting of ATN's less than 15 days:	10 points
Average period of vetting of ATN's within 16-20 days:	9 points
Average period of vetting of ATN's within 21-25 days:	8 points
Average period of vetting of ATN's within 26-30 days:	7 points
Average period of vetting of AGN's within 31-35 days:	6 points
Average period of vetting of AGN's within 36-40 days:	5 points
Average period of vetting of AGN's within 41-45 days:	4 points
Average period of vetting of AGN's within 46-50 days:	3 points
Average period of vetting of AGN's within 51-55 days:	2 points
Average period of vetting of AGN's within 56-60 days:	1 point
Average period of vetting of AGN's beyond 61 days:	0 points
will be allotted to that office.	

- (ii) All audit offices may be requested to provide information to DG (Audit) regarding progress in vetting ATNs in the format given in Annexure-6.

8. Efficiency in dispatch of material for audit reports to concerned functional wings in HQ in terms of specified milestones.

- (i) Material namely, draft audit certificates, draft paras and performance audits for inclusion in the audit report are sent to the respective report groups in batches as per a pre-decided schedule. The following system of awarding points on this parameter is proposed:
- For audit offices that have dispatched all requisite material to HQ in the year as per schedule: 10 points.
 - For each delay beyond 5 working days it is proposed to deduct 1 point.
 - If more than 10 despatches in a year are delayed beyond 5 weeks, 0 points will be allotted to the office. A cumulative delay in dispatch to HQ beyond 50 working days in a year will also fetch 0 points.
- (ii) The report groups in HQ may be requested to provide information regarding material received in HQ field office wise. A format for providing this information is suggested in Annexure-7.

9. Training of personnel, particularly:

(a) Percentage utilization of slots allotted by RTI/RTC

(b) Percentage of earmarked training (induction courses/refresher courses)

- (i) It is proposed to allocate the total 10 points available for this parameter equally between (a) and (b). Thus sub-parameter (a) and (b) will carry 5 points each. The following mechanism is proposed for allocation of points for this parameter:

For percentage utilization of slots allotted by RTI/RTC:

- Audit offices that have utilized 100% of slots allotted to them: 5 points

- For each percentage of slots un-utilised: 1 point will be deducted.
- For slot utilization less than 5% of allocation: 0 points will be allotted.

For completion of percentage of scheduled training:

- Audit offices that completes earmarked training completely: 5 points.
- For each percentage of training earmarked but not completed: 1 point will be deducted.
- For non-completion of earmarked training by more than 5%: 0 points will be allotted.

- (ii) All audit offices may be requested to inform DG (Audit) the status of training as per format proposed in Annexure-8.

10. Timely issue of Audit Certificates

[Note: Audit Offices are required to issue audit certificates for finance and appropriation accounts, accounts of autonomous bodies, Plan Schemes, accounts of externally aided projects, accounts of Government companies, etc. A specific time schedule exists for each kind of certification work. While quality of audit done for the certification would be assessed by parameter # 1, the timeliness of issue of the certificates are proposed to be assessed by this parameter.]

- (i) The following mechanism of awarding points for this parameter is proposed:
- For audit offices that have issued all audit certificates on time: 10 points.
 - For each audit certificate delayed beyond 5 working days: 1 point is proposed to be deducted.
 - For each delay of 5 working days: an extra point is proposed to be deducted.

(Delay at the end of the audit office being evaluated will be considered. It is proposed that delay in submission of accounts by the

auditee or delay due to delayed response of HQ may not be counted towards for the purpose of evaluating the performance of the audit office.]

- (ii) It is proposed that all audit offices be requested to provide this information to DG (Audit) annually by 15th April. The information may be made available in the format proposed at Annexure-9.

Note: For Revenue and Commercial audit, points for parameter 2,3,4,5,6 & 8 would be as per the ranking system. Points for remaining parameters would be allotted by Hqrs wings for the respective groups under intimation to DG (Audit).

ANNEXURE-VII (1)

**CATEGORIZATION OF PARAS IN INSPECTION
REPORTS
CIVIL AUDIT**

SL. No.	Broad heading/category of para		Name of Audit observations	
1.	Fraud/misappropriation/ embezzlement/losses detected in audit	(i)	Cases of embezzlement of cash drawn from treasury	A1
		(ii)	Non-accountal/ misappropriation of departmental receipts i.e. non-remittance into treasury.	A2
		(iii)	Excess amounts fraudulently drawn by tampering with or manipulating figures in salary bills.	A3
		(iv)	Fraudulent drawal of G.P.Fund of various employees who had not applied.	A4
		(v)	Utilisation of departmental receipts towards expenditure	A5
		(vi)	Losses to exchequer due to theft, pilferage and shortages of stores.	A6
2.	Recoveries at the instance of audit & Overpayments detected in audit	(i)	Recoveries of service payments like pay and allowances, T.A.	B1
		(ii)	Excess payment to contractors due to application of higher rates for work done, etc.	B2
		(iii)	Quantities of stores/works received/ executed less than those paid for, resulting in overpayments.	B3
		(iv)	Overpayments on account of errors of computation	B4
		(v)	Overpayments due to application of or allowing incorrect rates.	B5
		(vi)	Allowing payment of charges such as carriage etc., in violation of terms of agreements	B6

		(vii)	Overpayments on account of excess pay and allowances or payment of inadmissible allowance	B7
		(viii)	Excess payments of pension, etc., by Treasuries/Banks	B8
		(ix)	Non-recovery of installments towards various loans	B9
		(x)	Non-recovery/Non-deduction of income tax or service tax at source	B10
		(xi)	Payment of subsidies/assistance in excess of norms fixed	B11
3.	Violation of contractual obligations, undue favours to contractors.	(i)	Backing out by contractors resulting in extra expenditure.	C1
		(ii)	Non-imposition of penalty and recovery of extra cost from contractors involved in above cases	C2
		(iii)	Payment of interest free advances in violation of agreement	C3
		(iv)	Release of key material on credit basis instead of cash basis	C4
		(v)	Penalties not levied for delay in execution/completion of works within stipulated time	C5
		(vi)	Non-recovery of supervision charges	C6
		(vii)	Non-recovery of salvaged material	C7
4.	Avoidable/excess expenditure	(i)	Delay in execution of works resulting in time and cost overrun and consequent extra expenditure	D1
		(ii)	Delay in obtaining custom clearance, etc., for imported equipments resulting in increase in cost or payment of avoidable demurrage charges	D2

		(iii)	Cost escalation due to improper and inadequate planning	D3
5.	Wasteful/infructuous expenditure	(i)	Abandonment of works due to defective or disputed sites and structural/design defects, etc.	E1
		(ii)	Non-utilisation of assets created for specific purposes	E2
		(iii)	Non-achievement of specific objective for which expenditure was incurred	E3
		(iv)	Supplies of defective store/stock articles like time barred/substandard medicines, seeds, etc.	E4
6.	Regulatory issues	(i)	Expenditure incurred without sanction from competent authority	F1
		(ii)	Expenditure split to avoid sanction of competent authority or calling for tenders, etc.	F2
		(iii)	Expenditure incurred in excess of budget provision resulting in creation of liabilities	F3
		(iv)	Execution of works or procurement of supplies without adequate budgetary provision resulting in creation of liabilities to be met from next budget	F4
		(v)	Diversion of funds from one scheme to another or from one object head to another.	F5
		(vi)	Drawal of funds at the fag end of financial year with a view to avoid lapsing of funds	F6
		(vii)	Rush of expenditure towards fag end of financial year resulting in non-exercising of financial controls/checks.	F7

		(viii)	Drawal of funds at the fag end of year without immediate disbursement and their parking in either bank accounts, PLA or retention in cash/bank drafts.	F8
		(ix)	Incurring of expenditure on banned items or items of special nature without approval of competent authority.	F9
		(x)	Non-observance of austerity measures announced by Government from time to time.	F10
		(xi)	Payment of rent of hired buildings without approval or fixation of rent by Rent Assessment Committees	F11
		(xii)	Engagement of daily wagers in violation of Government orders and payment made to them without orders of competitive authority.	F12
		(xiii)	Execution of works without obtaining administrative approval/technical sanction from competent authority.	F13
		(xiv)	Purchase of stores/stock in excess of actual requirements with a view to avoiding lapsing of funds.	F14
		(xv)	Payments made on hand receipts in contravention of Rule 200 of Public Works Account Code.	F15
		(xvi)	Execution of works in excess of estimates unrealistic preparation of estimates.	F16
		(xvii)	Procurement of material/ execution of works without observing codal provision of invitation of tenders etc.	F17

7.	Idle investment/ idle establishment/blockade of funds	(i)	Expenditure incurred on purchase of stores not required for immediate use and not put to use for long periods	G1
		(ii)	Expenditure incurred on execution of works/construction of buildings etc., which could not be put to use owing to reasons which could be foreseen.	G2
		(iii)	Expenditure on activities/schemes which could not be completed/implemented for various reasons.	G3
		(iv)	Expenditure incurred on purchase of equipment including imported one's not put to use for want of trained manpower, missing spares or defective supplies or without assessing feasibility of procurement.	G4
		(v)	Funds advanced to various agencies for supplies or construction works retained unauthorisedly by such agencies.	G5
		(vi)	Payment of idle wages to staff which could not be utilized for the purpose for which appointed owing to either there being excess staff or there being no work for such staff.	G6
		(vii)	Release of funds for some activity without ensuring availability of adequate infrastructure.	G7
8.	Delays in commissioning of equipment	(i)	Due to non-availability of necessary infrastructure.	H1
		(ii)	Due to trained manpower not available.	H2
		(iii)	Due to non-availability of spare parts or accessories.	H3
9.	Non-achievement of objectives	(i)	Comments on shortfall in achievement of targets.	I1

		(ii)	Tardy implementation of Schemes	I2
		(iii)	Non-fulfillment/achievement of objectives for which a programme was launched or an organization created.	I3
		(iv)	Non-accrual of intended benefits to targeted population.	I4
		(v)	Comments on mismatch between financial and physical achievements.	I5
		(vi)	Comments on less production/ yield compared to expected production/yield.	I6
10.	Miscellaneous observations	(i)	Departmental specific irregularities/ observations not covered in any of the above.	J1
		(ii)	Irregularities noticed in maintenance of cash book, drawal register, receipt books.	J2
		(iii)	Retention of heavy cash balances	J3
		(iv)	Belated remittances of receipts into treasury	J4
		(v)	Comments/observations on maintenance of records.	J5
		(vi)	Comments on improper/non-maintenance of records	J6
		(vii)	Comments on submission/non-submission of utilization certificates	J7
		(viii)	Non-recovery/non-adjustment of Misc. Public Works Advances from officers, other Govt. Depts. And private parties.	J8
		(ix)	Non-crediting of deposits lying unclaimed for more than 3 years to Government.	J9

		(x)	Reconciliation not being done with agencies supplying stores etc. where centralized system of purchase of stores exists.	J10
		(xi)	Non-recovery of hire charges of machinery etc. let out or material supplied where centralized system exists.	J11
		(xii)	Machinery beyond economic repairs	J12
		(xiii)	Non-recovery of rent of building	J13

ANNEXURE-VII (2)**Assigning weightage to Para Categories**

Para category (As in Annexure 1)	Points allotted
A series (A1...A6)	10
B series (B1...B11)	9
C series (C1...C7)	8
D series (D1...D3)	7
E series (E1...E4)	6
F series (F1...F17)	5
G series (G1...G7)	4
H series (H1...H3)	3
I series (I1 to I6)	2
J series (J1...J13)	1

ANNEXURE-VII (3)
QUALITY OF INSPECTION PARAS

Name of Office:

Identification of IR	Average points for the IR
Total	

Points earned:

ANNEXURE-VII (4)**Delay in issue of Inspection Reports**

Name of Office:

Total number of IRs issued in the year:

Sl. No.	Title of delayed IR	Due on	Issued on	Delay

Points Earned:

ANNEXURE-VII (5)

Record of Audit Committee Meetings

Name of the office:

Sl. No.	Name of the top 10 Defaulter departments/ ministries	Number of meetings held
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
Total		

Number of new Audit Committees formed in the year:
(Details of departments/ministeries may also be provided)

Points Earned:

ANNEXURE-VII (6)

Progress in Vetting Action Taken Notes

Name of the office:

Sl. No.	ATN on Para No., Report No., and Year	Received on	Vetted and dispatched on	Time taken for vetting
	Total time taken			

Average time taken for vetting ATNs received in the year.....

Points Earned:

ANNEXURE-VII (7)**Schedule of material received from field offices**

Name of the office:

Sl. No.	Particulars of Despatch	Scheduled date of receipt	Date of receipt of material in Hqrs office	Delay in receipt of material

Points Allotted:

ANNEXURE-VII (8)

Information on training personnel

Name of office:

Utilization of earmarked slots;		
No. of RTI/RTC slots earmarked for the office	No. of slots utilized	Shortfall
Completion of earmarked training		
No. of earmarked trainings for the year	No. of trainings completed	Shortfall

Points Earned:

ANNEXURE-VII (9)**Timeliness in issue of Audit Certificates****Name of Office:**

Sl. No.	Details of the Certificate to be issued	Scheduled date of issue	Date of actual issue	Delay on account of the audit office

Points Earned:

CHAPTER-6

Certification of Accounts

6.01 Certification of World Bank and other Externally Assisted Projects:

1. The World Bank has accepted, after going through the accounting and auditing arrangements in India, that the system ensured a satisfactory degree of financial discipline and, accordingly, accepted the CAG of India to be an independent auditor for the purposes of certification of accounts and issue of audit certificates in respect of projects being executed in India with World Bank financial assistance. The standard audit covenant in the loan agreements is met by the Accountant General (Audit) 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 in the prescribed form based on irregularities noticed in Central Audit as well as local audit in relation to the accounts of these projects.

(Para 3.17.11 of MSO (Audit))

2. The annual accounts to be certified are the annual expenditure statements in respect of projects executed by Government Departments. 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.

(Para 3.17.12 of MSO (Audit))

6.02 Documents essential for Audit Certification

The 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) Inspection Report of local/central audit for inclusion of any serious financial irregularities pointed out in audit

(Para 3.17.3 of MSO (Audit))

6.03 Audit approach

Local audit is to look into eligibility of contractors, investment decisions and implementations, methods adopted in selecting contractors, review of viability of the project, review of 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. Verifying that there is a sufficient voucher for the payment and that there is sufficient authority for making it is important.

While issuing audit certificate, it should be ensured that the expenditure is incurred for the purpose it is meant and conforms to the procedure and terms and conditions of agreement and Government of India's instructions.

(Para 3.17.4 to 6 of MSO (Audit))

Detailed procedure to be adopted in the process of audit and certification are given in Section III, Chapter 17 of MSO (Audit).

6.04 Format of Audit Certificate

- (i) A revised format for the issue of Audit Certificate has been prescribed by CAG as per HQ Circular No. I-Audit II/2000 No. 47 Audit-II/2-96 dated 21-1-2000 (since included in the MSO (Audit) Second Edition 2002).
- (ii) It has also been instructed in the HQ Circular mentioned above that the word "disallowed" should not be used for unadjusted advance payments.

6.05 Audit of new Externally Aided Projects

As per directions issued by CAG of India regarding taking up of certification of accounts of a new externally aided project, the requests for

certification of accounts are to be routed through the Ministry of Finance (Department of Economic Affairs), New Delhi to CAG of India and only after issue of specific directions by CAG, the audit of accounts can be taken up by AG.

(Ltr. No. Co-ordn (Au) EAP Cell/19-1/Vol. II/333 dt. 10-12-1996)

6.06 Dealing with delay in receipt of Statement of Expenditure (SOE)

To avoid any delay in the certification of EAPs, HQ office has suggested the following:-

In case of non-receipt of SOEs, Head of the Department of implementing agencies should be addressed by 1st May every year followed by D.O. reminder after every 15 days. If problem still persists, the Secretary/ Prl. Secretary and the Nodal Implementing Agency may be informed about the difficulty in certifying the project accounts within the stipulated period of six months. Non-receipt of project documents and replies to audit queries may also be appropriately highlighted in the letter. Though the reasons for delay lie on the part of implementing agency, our intention is to give advance intimation to the Government about the delay in certification and enable them to take corrective action.

(HQ Circular No. 3-Audit-II/2001 (No. 293 Audit II/135-98 dated 22-5-2001)

6.07 Accounting of Secured and Mobilisation Advances paid

HQ office has clarified the following in respect of Secured Advances and Mobilisation Advances paid to contractors of Externally Aided Projects:

In respect of cases where (i) the secured advance and mobilization advance are permitted by the Schedule of Agreement of the external assistance and (ii) all the conditions governing their sanction and recovery are correctly ensured by the Project Implementing Authority, the secured advance and mobilization advance should be accounted for in terms of relevant provisions of the State Public Works Department Accounts Code corresponding to Paragraph 10.5.15 of CPWD Accounts Code and Works Abstract Form No. 33, as a part of the total cost of the work concerned, subject to the condition that unadjusted amount of advances should be exhibited separately.

(HQ. Circular No. 1/Audit-II/99- No. 1232-Audit-II/7-99 dt. 21-12-1999)

6.08 Issue of Certificate

While the responsibility to arrange the local verification and other checkings of the SOE rests with IAU Sections, the Audit Certificates are to be issued by EAP Section. Hence, the SOE and verification reports are to be forwarded to EAP Section well in advance so that EAP Section can issue the Audit Certificate in time.

6.09 Procedure for foreign contribution

State Government is not covered by the definition under Section 6 of the Foreign contribution (Regulation) Act, 1976 and therefore no application for grant of prior permission for accepting foreign contribution by a department of the State Government is to be considered under the provisions of the Act. Hence, the correct procedure for State Government Departments to receive such foreign grants is for the foreign funding agency first passing on the grant funds to concerned Ministry/Department of the Central Government. The latter will subsequently pass on the grant funds to the concerned State Government through their budget. Hence, all State Government Departments are instructed not to agree to any conditions in agreements entered into with a foreign funding agency that envisages the direct transfer of grant of funds under the said agreement to the State Government.

(GOK Circular 65/99/Fin dt. 5-10-99 of Finance (Planning) Deptt)

6.10 Certification of expenditure on Plan Schemes

1) The Government of India releases each year assistance in the form of grants and/or loans to various State and Union Territory Governments for different Central and Centrally sponsored schemes in accordance with the pattern specified in the sanctions relating to these schemes. According to the procedure prescribed by the Ministry of Finance, for finalizing the assistance relating to Plan Schemes, the final claims are to be preferred, in the prescribed proforma, by the State and Union Territory Governments on the basis of audited figures of expenditure. After the accounts of the year are closed, the AG (A&E) will prepare SOE for the grants in question, indicating therein the items placed under objection by him, and furnish these to the AG (Audit) for audit certification. The IAU Section should audit the statements

received from A&E and forward certified copies of the statements to the Ministry of Finance, the administrative ministries concerned, and the State/Union Territory Government concerned, indicating therein the amounts placed under objection by both A&E and Audit offices.

The local audit and central audit parties should be instructed to indicate in the inspection reports, details of the scheme, the drawing officers and classification in respect of the amounts held under objection in the course of their audit.

2) While certifying the expenditure, objections of a routine nature such as non-availability of some vouchers, absence of budget allotment, non-availability of sanction etc., which would not affect the Central assistance, may be ignored. It should, however, be borne in mind that

- (i) the amounts drawn in abstract bills for which detailed bills have not been submitted should be excluded;
- (ii) any item of expenditure found to be clearly ineligible for central assistance with reference to the terms or the instructions of Government of India governing such assistance should not be included and if the amount involved cannot be precisely determined, the certificate should be qualified accordingly;
- (iii) any point of doubt in regard to eligibility for central assistance should be got clarified from the administrative ministry concerned; and
- (iv) the certificate should be qualified that it has been issued without prejudice to the right of CAG to include in the Audit Report any comments arising out of the audit in regard to utilization of central assistance by State Government.

Detailed instructions on the issue of audit certificate have been given in Paras 3.23.16 to 27 of MSO (Audit).

- 3) (i) When it is not possible to relate the amount of AC bills for which DC bills are awaited to particular scheme or category of schemes, such amounts would be

excluded from the figures of audited expenditure at the time of issue of audit certificate.

(ii) Similarly, amount transferred to Personnel Ledger Accounts and not actually spent should also be excluded from the figures of audited expenditure.

(iii) When the amounts have been drawn by drawing 'nil' bills through transfer credit vouchers debiting the amount to the final heads, the amount actually not spent should be excluded.

(iv) Amounts kept under objections and intimated to the Ministries along with Audit Certificate may regularly be pursued with the State Government till its final receipt.

(HQ Lr. No. 31-Audit/MOM/30-90 dt. 20-1-1999)

6.11 Issue of Certificates

Certificates in respect of Centrally Sponsored Schemes are to be issued by EAP Section. Hence SOEs and verification reports are to be furnished to EAP Section. In respect of State Plan Schemes, EAP issues consolidated audit certificates. If separate audit certificate is demanded by implementing agency, the same can be issued by IAU (Works).

(Note No. EAP/II/7-245/16 dt. 29-4-2004)

CHAPTER-7
MISCELLANEOUS

7.01 Instructions on formation of Committees

After a review of Committees' structure in IA&AD, HQ has ordered as follows:

- (i) **Committees:** Any Standing Committees/Boards etc., of a permanent nature should be constituted by field offices only after approval of HQ. The Committees of a permanent or long term nature should be re-designated as Steering Committees.
- (ii) **Working Groups:** A Working Group should be constituted when the objective is to address specific topics particularly technical issues that need detailed examination e.g. modernization, revision of manuals, guidelines, standing orders.
- (iii) **Task Force:** Task Forces should be constituted to deal with issues of significant but passing interest to the organization and should be given a time limit to submit their report.

(Circular No. 52-NGE/2005 – No. 483-NGE (App)/62-2005 dt. 5-8-2005 & Note No. Au/Admn.IV/14-10/Vol. V/184 dt. 26-8-2005)

7.02 Formation of IAU Sections

As per directions from HQ office, the CASS sections have been renamed to Integrated Audit Units (IAU) as under:

CASS (DAM) at Trivandrum changed to IAU-I

CASS (GE) at Trivandrum changed to IAU-II

CASS (DAK) at Kottayam changed to IAU-III

CASS (DAT) at Thrissur changed to IAU-IV

CASS (DAC) at Kozhikode changed to IAU-V

CASS (Works) at Thrissur changed to IAU (Works)

CASS (Coordination) at Trivandrum changed to Coordination (Audit)

CASS (Accounts) at Trivandrum changed to Appropriation Audit Section

(Office Order No. 85 (Co-ordn(Au)/11-147/IAU/92-93 dt. 19-8-92)

7.03 Submission of Potential Draft Para Register to AG

The due date for submission of PDP Register to Accountant General is 1st of every month. Considering the practical difficulties, it has been decided that PDP Register in branch offices need be submitted to AG quarterly on 5th of April, July, October and January every year.

(Circular No. ITA/27-1/2002-03/160 dt. 29-10-2002)

7.04 Monthly D.O. letter to AG by Inspecting Officers

In accordance with the HQ letter No. 298-SRA/12(XVII)/2005 dated 16-5-2005 (Strategies and guidelines for achieving targets), a system of sending monthly demi-official letters by Sr.AO/AO of field parties to AG has been introduced. The letter should highlight the work done by the Sr.AO/AO and of the field parties supervised by him during the month as well as difficulties, if any, faced by the field parties.

The D.O. letter should reach Prl.AG's Secretariat on or before 10th of the succeeding month.

(No. PAG (Au)/Sectt./Br.Tr.104 dt 27-6-2005 and DAG(Works)/TCR/2005-06 dt 4-7-2005)

7.05 Disclosure of information under Right To Information Act, 2005

- (i) Having regard to the intent and provisions of the RTI Act, all documents/information contained in Inspection Report and other link documents issued to the auditee may be disclosed.
- (ii) Privilege may be claimed only in respect of Draft Audit Paras/ Draft Reviews and "Bond Copies" of Audit Reports sent for signature of CAG.
- (iii) Audit Memos, Half Margins and other working papers that relate to Inspection Report and Audit Report are internal in nature and may not be disclosed.
- (iv) In case of request for letters and other communications issued by the auditee entity, action may be taken in terms of Section 6(3) of the Act to transfer the request to the concerned public authority under intimation to the petitioner within time limit prescribed under the Act. This will relate to all letters and

communications issued by the auditee entity and mentioned in the IR and Audit Reports already placed before Legislature.

- (v) Information that is personal in nature, the disclosure of which has no relation with public activity or interest need not be disclosed. In this category, the personal details of the Government servants, their family, GPF balance, CRs etc., should not be disclosed.
- (vi) The obligation under the Act is to disclose only the information available and it is not necessary to generate information for disclosure. As a general rule, internal noting should not be disclosed.
- (vii) When any disclosure of any audit observation is made, it should be accompanied by disclaimer statement (see Para 1.06) in the forwarding letter.

(HQ letter No. 629-LC/III-2005 dt 7-10-2005)

- (viii) Rule 11 of the Central Civil Services (Conduct Rules 1964 has been amended to provide for the disclosure of official information under this Act.

7.06 Settlement of inspection report paras included in the Audit Report

Instructions regarding the settlement of inspection report paras included in the Audit Report are as under:

- (i) In cases where the objections involve money value (for example recovery of over payment, want of financial sanction), they have to be pursued to a finality and should not be dropped.
- (ii) Whenever, objections have been raised on propriety, they can be dropped from IR/Objection Books after they have been included in the Audit Reports.

The Headquarters Sections, dealing with local audit reports, while dropping objections in IR connected with Audit Paragraphs, may specifically point out to the Department that –

- (i) As the case stands included in the Audit Report, it is being examined by PAC and hence is not being pursued further through IR.
- (ii) The department/Government may take appropriate action and furnish 'Remedial ATN' as laid down in Para 38 A of Hand Book of Instructions issued by Finance Department. The Headquarters Section may also inform Report (PAC) Section while dropping the IR paras which have been included in the Audit Report.

(Circular No. Rep (PAC)/53-2/IR/95-96 dt. 22-2-1996)

7.07 Quoting of audit objection by auditee entities

Government of Kerala, on our request, has instructed all Secretaries to Government, Heads of Departments and other Departmental Officers to dispense with the practice of quoting AG's observations or objections in the orders issued by them for taking remedial action on audit findings or giving copies of communications conveying audit objections to the affected parties.

(GOK Circular No. 11/04/Fin dated 4-2-2004 of Finance (Inspection NT) Department)

7.08 A.E. Docket

During the quarterly review of inspection reports, Principal Accountant General has observed omissions on the part of field parties to note the dates in audit enquires, in obtaining dated acknowledgements of audit enquiries from Audited Entities etc. To avoid such omissions, an 'AE Docket' has been prescribed as under for the use of field parties:

List of Audit Enquiries issued			
AE No.	Subject	Dated acknowledgement of auditee	Date of receipt of reply

All field parties should use this format and supply the details required.

(Note No. AG (Au)/Sectt./359 dt 12-2-2002)

7.09 Event Report by Inspecting Officers

The Inspecting officer should send an Event Report to the respective controlling sections who will send the report direct to OE (Bills) after verifying them with reference to the Weekly Diaries/approved tour programme, leave register etc. As in the case of absentee statements, the controlling sections should furnish by 10th of every month a report to OE (Bills) detailing cases of non-receipt of event reports for the previous month.

Field parties are required to send towards the close of each month, the absentee statements to their respective controlling sections who will transmit the individual statements to OE (Bills) immediately after verifying them with reference to the Weekly Diaries, approved tour programmes, leave etc., and by 10th of every month the controlling sections should furnish a report to OE (Bills) detailing cases of non-receipt of absentee statements for the previous month. The SOs/AAOs in charge of the parties/controlling sections will be personally responsible for the prompt submission of leave applications and absentee statements to OE (Bills).

(Circular No. OE(Bills)/I/Audit dt 28-8-2001)

7.10 Confidentiality of materials forming part of Inspection Reports

- 1) Instructions regarding the maintenance of confidential nature of audit observations have been issued as under:

In some cases, materials forming part of our IR/draft paragraphs have appeared in the local press causing embarrassment. According to the extant instructions, the IR materials should not go to press either from us or from other sources till the audit findings are placed on the table of the Legislature in the form of Audit Report. It is a known fact that the IRs are processed in sections and seen and vetted by the Group Officers and issued to auditee organizations and to Government at different stages. Possibility of leakage of such audit findings to the Press at any of the check points is not ruled out. However, it is our duty to safeguard the interest of the audit institution in keeping utmost confidentiality in matters of extreme importance relating to financial irregularities and avoid conversing with any press officials in this matter. Precautionary measures in maintaining utmost

secrecy in the matters of audit and audit observations have to be taken by all concerned, especially those engaged in field audit and officers supervising the parties. .

It may also be ensured that all draft inspection reports are invariably submitted to the respective Group Officer for approval before they are issued irrespective of whether the audit is supervised or not.

(Circular No. SR.DAG (Civil)/TCR/98-99/200 dt. 17-12-1998)

2) While reporting instances where the findings of audit at the draft inspection report stage or draft audit report appearing in the newspapers, the Headquarters office has intimated that CAG has considered this most objectionable as disclosure of interim reports that may end up as audit paras, which has not been approved yet by CAG, face the risk of breach of privilege of Legislature. Hence, it has been instructed that –

- (i) if the reference to IR is as “PAG/AG Reports”, it should immediately be clarified to the Editor of the newspaper stating that the report is an inspection report.
- (ii) If the reference is a “Draft Audit Report” or a proposed Audit Para, then the PAG/AG should immediately write to the Chief Secretary concerned to ensure that the secrecy of such reports is not compromised.

(HQ letter No. 189-Audit(AP)/9-2005 dt 9-8-2005)

7.11 Procedure to be followed in challenging Government Orders

Para 4.36(a) of the Manual of General Procedures stipulates that letters challenging any Government Orders or demanding amendment to Acts and Rules etc., issued to Government of State or Union should either be signed by the AG or by his Deputy or be issued under the directions of AG.

(Circular No. Co-ordn(Au)/II/11-147/XVI/232 dt. 1-10-2002)

APPENDIX-I**Important Returns pertaining to IAU (Works) Section****A. Returns due within Office****(a) Weekly**

Sl. No.	Name of Return	To whom due	When due	Authority
1.	Purport Register	B.O.	7 th , 14 th , 21 st , 28 th	Para 4.05 (iv) and 4.49 of MGP
2.	Register of Programme of Inspection Reports	B.O.	7 th , 14 th , 21 st , 28 th	Para 12.22 of Central Audit Manual
3.	Register of Service Books	B.O.	7 th , 14 th , 21 st , 28 th	Para 4.04 of MGP.
4.	Transit Register	B.O.	Monday	4.12 (viii) of MGP.
5.	Register of Inspection of Auditors' table	B.O.	Monday	Para 2.23 of MGP.
6.	Register of Iterim disposal of letter	B.O.	Monday	Para 4.26 of MGP.
7.	Register of complaints	DAG(W)	Friday	Para 4.05 of MGP
8.	Pending list of letter from CAG	DAG(W)	Friday	Para 4.49 (iii) of MGP.
9.	Calendar of Returns	B.O.	Tuesday	Para 5.02 of MGP.

(b) Biweekly

Sl. No.	Name of Return	To whom due	When due	Authority
1.	Report on disposal of D.O. letters addressed to DAG/AG/CAG	AG (Au)	15 th , 30 th	Para 4.07 of MGP

(c) Monthly

Sl. No.	Name of Return	To whom due	When due	Authority
1.	Register of pending cases	B.O.	1 st	Para 4.46 of MGP
2.	Requisition of vouchers from WAC Sections	WAC Sections	1 st	Co-ordn (Au)/11-147/3 dt 24/3/90
3.	Late Attendance Closing	B.O.	5 th	Para 2.06 of MGP
4.	Register of incumbents	B.O.	5 th	Para 5.05 of MGP

5.	Indent for Stationery	B.O./Gl. Sn	5 th	Para 9.09 of MGP
6.	SOs/AAOs Note Book	B.O.	5 th	Para 13.08 of Central Audit Manual.
7.	Check Register of Weekly Tour Diaries of field staff.	B.O.	5 th	Para 2.03 of Works Inspection Manual.
8.	Monthly Arrear Report	B.O./DAG(W)	7 th	Para 5.03 of MGP
9.	Calendar of Returns	B.O./DAG(W)	7 th	Para 1.12 of Central Audit Manual.
10.	Progress Report on supply of vouchers by A&E for Central Audit.	Co-ordn (Au) Section	7 th	No. 317/Au/Monthly/102(94)/1 dt 22/6/95.
11.	Report on pendency in issue of IRs.	AG (Audit)	7 th	AG(Au)/Sectt/2-3/461 dt 11.6.98.
12.	Progress Register of settlement of IR.	B.O.	8 th	Para 12.24 of Central Audit Manual
13.	Progress Register of Audit Notes.	B.O.	8 th	TM-VII/81-82/
14.	Register of Programme of inspections	B.O.	8 th	Co-ordn (Au)/12-14/85-86 dt 26/2/86.
15.	Progress Register of disposal of Test Audit Notes.	B.O.	8 th	Para 12.17 of Central Audit Manual
16.	Check Register of TA Bills	B.O./DAG(W)	10 th	Para 2.03 of Works Inspection Manual
17.	Register of points for investigation during local audit	B.O.	10 th	Para 12.26 of Central Audit Manual.
18.	Register of visit of Financial Assistants/ Divisional Accountants	B.O.	10 th	WAD Manual.
19.	Register Of Volume Of Work Done/ Auditors Note Book	B.O.	10 th	Para 13.09 & 13.07 of Central Audit Manual.
20.	Portfolio Control Register	B.O.	10 th	Para 13.02 of Central Audit Manual
21.	Objection Book	B.O.	10 th	TM/VI/11-56/48 dtd 9/3/76.
22.	Statement of State of Work done in CAPs	Co-ordn (Au)	10 th	Co-ordn(Au)/15-439 dt 19/5/98.

23.	Review note of Monthly Report.	OE (Audit) Sn	14 th	Estt/Br/14-11/27/1560 dt 3/3/68 and Para 12.03 of Central Audit Manual.
24.	Register of issue of Audit Certificate of Central Audit	B.O.	15 th	Co-ordn (Au) 11-147/84-85 dtd 14/8/84.
25.	Certification of completion of Central Audit by CAPs	WAC Sections	15 th	Para 2.10 of Central Audit Manual
26.	Register of requisition of vouchers	DAG(W)	16 th	Co-ordn(Au)/II/147/3 dt 23/4/90
27.	Dispatch Register	B.O.	18 th	Para 4.39 of MGP
28.	Register of financial irregularities	DAG(W)	20 th	Co-ordn(Au)/11-147/87-88/107 dt 10/8/85 and Para 11.36 of Central Audit Manual.
29.	Report on compliance of paras in IR of Director of Inspection.	ITA Section	20 th	Co-ordn (Au)/V/164(4)/88-89/184 dt. 29/9/91.
30.	Register of deviations from approved tour programme	B.O.	25 th	Para 2.03 of Work Inspection Manual
31.	Register of Defalcation	B.O./DAG(W)	Last day of the month	Para 13.14 of Central Audit Manual.
32.	Register of sanctions of permanent nature.	B.O.	Last day of the month	Para 3.11 of Central Audit Manual.
33.	Report on effective utilization of VLC	Co-ordn(Au) Section	1 st	Co-ordn(Au)/11/11-147 B(1)/04-05 dt 16/9/04.
34.	Register of transmission of vouchers/documents to field parties	B.O.	10 th	Para 2.06 Of Inspection Manual.

(d) Quarterly

Sl. No.	Name of Return	To whom due	When due	Authority
1.	Quarterly report on the state of work in the Section/ Group	B.O./DAG(W)/Co-ordn(Au)	3 rd April, July, October & January	Para 5.04 of MGP

2.	Supplementary report on the above	Co-ordn (Au)	5 th of April, July, October & January	Para 5.04 (vi)
3.	Quarterly Review Report on quality of Central Audit Objections.	DAG(W)/AG (Au)	10 th Of April, July, October & January	Co-ordn(Au)/57/13/7/88
4.	Quarterly Report on use of Hindi	Hindi Cell	5 th of April, July, October, January	O.O. No. 420 dt 2/8/78 of Hindi Cell
5.	Register of Defalcation for Review	ITA Section	15 th of April, July, October & January	Para 13.14 of Central Audit Manual.
6.	Quarterly Report on achievement of target.	DAG(W)/AG(Au)	20 th of April, July, October & January	AG(Au)/Target/19-90 dt 24/1/90
7.	Portfolio Control Register	DAG(W)	15 th of April, July, October & January	Rep-I/54-1/Vol. 31 dated 16/4/88.
8.	Progress Report on local audit	DAG(W)	10 th April, July, October & January	-do-
9.	Report on review of sanctions relating to delegation of financial powers.	Co-ordn (Au)	20 th of April, July, October & January	Co-ordn(Au) 11-147/87-8/107 dt 10/8/85
10.	Information relating to units/vouchers audited during the quarter	Co-ordn (Au)	1 st January, April, July, October	Co-ordn (Au)/467/Aud.Plg. dtd 8/6/95.
11.	Evaluation Report on ranking of performances of Audit Offices	ITA Section	7 th of April, July, October & January	

12.	Results of audit and registration of objections for the quarter	Co-ordn (Au)	25 th of January, April, July, October	No. 448/Au/WAM/ 218/996 dt 3/9/96 of CAG
13.	Register of Performance-cum-Selection of IR for review by AG(Au)	AG(Audit)	10 th April, July, October & January	ITA-27-1/97-98 dt 18/2/98
14.	Quarterly tour programme of Inspection Parties for the next quarter	DAG(W)	15 th of April, July, October & January	Para 2.03 of Works Inspection Manual.

(e) Half-yearly

Sl. No.	Name of Return	To whom due	When due	Authority
1.	Certification of Custody of Secret Memorandum of Instructions	Co-ordn (Au)	1 st July & January	
2.	Calendar of Returns for Review	OA(HQ) Section	18 th June & 18 th December	

(f) Annual

Sl. No.	Name of Return	To whom due	When due	Authority
1.	List of units proposed for local inspection and annual forecast.	AG (Audit)	7 th March	Para 2.02
2.	Statement of write-off and waiver.	Report (Civil) Section	30 th June	Para 7.3.2 of MSO(A)
3.	Report on ranking the performance of the Audit Office	ITA Section	25 th April	ITA/37-1/2004-05 dt 15/4/2005
4.	Materials for the annual review of PW Divisions	WAM Section	31 st September	Para 11.40 of Central Audit Manual.

B. Returns due to outside office**(a) Half-yearly**

Sl. No.	Name of Return	To whom due	When due	Authority
1.	Half-yearly Statement of inspection reports outstanding for over six months	Government/Chief Engineer	20 th April/ 20 th October	Para 5.14 of Inspection Manual
2.	Half-yearly Statement of Central Audit Objections outstanding over six months	Government/Chief Engineer	15 th June/ 15 th December	Para 11.26 (i) of Central Audit Manual.

(b) Annual

Sl. No.	Name of Return	To whom due	When due	Authority
1.	List of units proposed for local inspection during next financial year.	Govt. in Finance Department/Chief Engineer	15 th January	Para 2.02 of Works Inspection Manual.

APPENDIX-II

Glossary of Terms

Some of the technical terms used in engineering works are explained below. This will give a general idea of the work involved in these items

I. Irrigation Works

1.	Weir	:	A general term for a continuous solid barrier (wall of concrete or masonry) built across a river or channel which allows overflow of water and which raises the water level upstream.
2.	Escapes	:	Weirs (with or without sluices) through which surplus or excess water is removed from a canal, reservoir or stream into an escape channel.
3.	Regulator	:	A weir through which the discharge can be regulated or varied as required.
4.	Barrage	:	A structure provided with a series of gates, erected across a river to regulate the water level and flow upstream, extending right across a river with crest of the weir at one uniform level.
5.	Apron	:	A floor or lining of concrete, stone, masonry, etc., to protect a surface from erosion or to withstand hydrostatic pressure.
6.	Spillway	:	A passage for the flow of surplus or waste water in a weir or conduit.
7.	Sluice	:	An outlet for the water from a canal to the fields.
8.	Toe walls	:	Longitudinal shallow retaining walls built near ground level (at the foot of the slope) for supporting the pitching on the face of earthen embankments.
9.	Scour	:	The removal of material from the bed of a channel by flowing water.
10.	Tail water	:	The water just down stream of a structure.
11.	Pen stock	:	A closed conduit or pipe for supplying water under pressure to a turbine.
12.	Gravity Dam	:	A dam depending solely on its weight to resist the water pressure.
13.	Bern	:	The space left between the upper edge of a cut and the toe of an embankment.

14.	Water logging	:	A condition of land where the water table is at or near the ground level and becomes detrimental to plant life.
15.	Seepage	:	The water which by the action of capillary attraction passes underground from channels or tanks through close soils and does not appear visibly in the vicinity but the area becomes water logged.
16.	Cross Drainage Works	:	When irrigation channels have to cross streams or drains in an uneven terrain, the works required to dispose of these drains are called C.D. Works (aqueduct, under tunnel super passage, siphon etc.).
17.	Super Passage	:	A work which carries one channel over another without lowering the bed level of the lower channel.
18.	Syphon	:	At closed conduit (pipe or tube) for conveying water over an obstacle.
19.	Flume	:	A flume is a narrowed water way usually built in masonry for measurement of the discharge.
20.	Coffer Dam	:	This is a temporary enclosure built to exclude water from the working area and to permit free access to the area within during the construction of foundation or other structure, that must undertaken below water level.
21.	Causeway	:	A Causeway is a small submersible bridge without opening or a paved dip.

II. Road Works

1.	Clearing and grubbing	:	Removing and disposing of all materials such as trees, bushes, shrubs, stumps, roots, grass weeds, top organic soil not exceeding 150 mm in thickness.
2.	Turfing	:	Furnishing and laying of the live sod of perennial turf forming grass on embankment slopes, verges, etc.
3.	Formation	:	The surface of the ground in its final shape and level after completion of earth work.
4.	Sub-base	:	Laying and compacting well graded material on prepared sub-grade.
5.	Base Course	:	That part of the construction resting upon the sub-grade, and through which the load is transmitted to the sub-grade or the supporting soil.
6.	Base Coat	:	An intermediate course between the base course and the wearing coat.

7.	Carpet	:	A surfacing obtained by laying bitumen or tar concrete to a thickness of usually more than an inch.
8.	Chipping	:	The term generally intended to include uncrushed gravel as well as crushed rock of a gauge less than 1 inch.
9.	Gravel	:	Rounded or water worn stones of irregular shape and size occurring in natural deposits with or without finer material.
10.	Spoil	:	Excavated material
11.	Camber	:	The convexity given to the curved cross section of a carriage way, between the crown and the edge.
12.	Black top	:	A general term applied to wearing coats or surfaces of roads in which tar or bitumen is used as a binder.
13.	Detour	:	An alternate circuitous road for traffic.
14.	Water bound macadam (WBM)	:	The surface layer of a road in which the road metal has been consolidated with water and earthy material.
15.	Wet mix macadam (WMM)	:	Laying of aggregate premixed with water to a dense mass on prepared sub grade/sub base/base.
16.	Prime Coat	:	Application of a single coat of low viscosity liquid bituminous material to a porous granular surface.
17.	Tack coat	:	Application of a single coat of liquid bituminous material to an existing bituminous road surface.
18.	Bituminous macadam (BM)	:	Construction in a single course or in multiple courses of compacted crushed aggregates premixed with bituminous binder
19.	Bituminous Penetration Macadam	:	Construction of one or more layers of compacted crushed coarse aggregates with alternate application of bituminous binder.
20.	Built-up-spray grout (BUSG)	:	A two layer composite construction of compacted crushed coarse aggregates with application of bituminous binder after each layer with key aggregates placed on top of the second layer.
21.	Surface dressing	:	Application of one coat or two coats of surface dressing, each coat consisting of a layer of bituminous binder sprayed on a previously prepared base, followed by a cover of stone chip rolled into form a wearing course.
22.	Seal Coat	:	Application of a seal coat for sealing the voids in a bituminous surface.

23.	Fog spray	:	Very light application of low viscosity bitumen emulsion for purposes of sealing cracks less than 3 mm wide or incipient fretting or disintegration in an existing bituminous surface.
24.	Scoring	:	Roughening the old surface with pick axes prior to spreading the new metal.
25.	Scarifying	:	Digging up the old metallised surface to a depth preparatory to re-metalling.
26.	Grouting	:	Pouring a blinding material in a liquid state on to a consolidated surface of road metal so that the blinder penetrates the interstices until every stone is covered by the blinder.
27.	CBR	:	California Bearing Ratio - load bearing capacity of soil.
28.	Banking	:	Sloping of road surface upward towards the outside of the curves to avoid tilting of vehicles, while negotiating the curve.

II. Bridge Works

1.	Well foundation	:	Common well foundations are thick hollow cylinders of masonry, which are placed on well curbs and sunk to the required depth or are placed on hard beds. The hollow cylinders are plugged at the bottom (bottom plugging) with cement concrete to have a water tight foundation, the hollow interior (dredge hole) is filled with sand or concrete and the top again sealed with thick layer of concrete (top plugging) on which piers and abutments are built.
2.	Well Steining	:	The outer wall of the well, which may be cellular.
3.	Well sinking	:	The process of taking down the well to the founding level.
4.	Well seating	:	Seating uniformly the well at the founding strata.
5.	Tilts & shifts	:	The inclination of the well from vertical is known as tilt and the horizontal displacement of the centre of the well at the founding level from its theoretical position is known as shift.
6.	Cast-in-situ piles	:	These are piles for foundation installed by making a bore into the ground by removal of material or by driving a metal casing with shoe at the tip and displacing the material laterally (bored piles and driven piles).
7.	Pre-cast piles	:	Piles driven into preformed bores.

8.	Pile testing	:	Testing the bearing capacity of piles by test loading. There are two categories of tests - initial tests and routine tests. Initial tests should be carried out on test piles (not part of the work) and routine tests are carried out as a check on working piles.
9.	Bearing piles	:	They are driven through soft strata and go deep to rest on hard surface and support the load.
10.	Friction piles	:	They are driven into hard strata and take load due to friction of the soil against the surface of piles.
11.	Form work	:	All temporary or permanent forms required for forming the concrete of the shape, dimensions and surface finish required.
12.	Scaffolding	:	Temporary construction to support the frame work.

IV. Conversion Tables

1 K.M.	=	0.61371 Mile
1 Mile	=	1.60934 KM
1 cm	=	0.3937 inch
1 inch	=	2.54 cm
1 foot	=	0.3048 metre
1 metre	=	3.280840 feet
1 link	=	20.168 cm
1 chain	=	20.117 metre
1 Are	=	100 Sq. Meters
1 Hectre	=	2.47105 Acres
1 Acre	=	0.40469 Hectre
1 Sq. Km	=	100 Hectre
1 Sq. Km	=	247.105 Acre
1 Sq. Km	=	10,000 Are
1 cent	=	0.40467 Are
1 cent	=	40.46724 Sq. meter
1 Sq. Mile	=	2.590 Sq. KM
1 Sq. Metre	=	0.02471 cent
1 Are	=	2.4710 cent
1 Litre	=	0.0353 cft.
1 Gallon	=	4.5460 litre
1 Kg	=	2.20462 Lb
1 Tonne	=	0.98420 Ton
1 Tonne	=	1000 Kg
1 Ton	=	1.01606 Tonne

