

CHAPTER-I

CONSTITUTION OF GENERAL AND SOCIAL SECTOR –I WING

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CHAPTER-I

1.1 INTRODUCTION

The concept and establishment of audit is inherent in public financial Administration as the management of public funds represents a trust. Audit is not an end in itself but an indispensable part of regulatory system whose aim is to reveal deviations from accepted standards and violation of principles of law, efficiency, effectiveness and economy of financial management in order to take corrective action and prevent recurrence of such breaches. The provisions of Manual of Standing Orders (MSO) (Audit) of the Comptroller & Auditor General of India (C&AG) prescribe the norms, principles and practices which the Auditors are expected to follow in conducting of audit. The provisions of MSO (Audit) and Auditing Standards of International Organization of Supreme Audit Institution (INTOSAI) suitably adopted with due consideration to the Constitution of India and relevant statutes/ rules for preparation of the General and Social Sector-I (G&SS-I) Audit Manual which should be kept in view as guidelines for local audit. SAI India has decided, on approval of the CAG, to adopt the fundamental auditing principles (ISSAIs 100-400) as its auditing standards after their adoption by INCOSAI community in November, 2013. All the officers are encouraged to familiarize themselves with these Standards and bring their implementation in regular audit activities.

[Authority: Letter no. I/B/5/116/PPG/9-2012 dated 14-05-2013 Director General (PPG)]

1.2 CONSTITUTION AND FUNCTION

The G&SS-I Wing is constituted for the purpose of conducting inspections and local audits falling under the following categories:-

- a. Inspection and local audit of transactions of the offices and institutions of the Government of West Bengal for which the C&AG of India is statutorily responsible under Sections 13 of CAG's (Duties, Powers and Conditions of Service) Act, 1971 are undertaken with the object of supplementing the Central Audit carried out by the Central Audit Party (CAP) and Central Audit Supporting Section (CASS) of Financial Audit Wing of the office of the Principal Accountant General (G&SSA), West Bengal. The Departmental receipts of these offices are also examined under Section 16 of the Act, *ibid*, excepting those which are done by the office of the Accountant General (Economic and Revenue Sector Audit), West Bengal.
- b. Local audit of trading, manufacturing and profit and loss accounts and balance sheets and other subsidiary accounts kept in any Department of the State (excepting those being done by the Economic Sector Audit erstwhile Commercial Wing) under Section 13 (c) of the Act, *ibid*.
- c. Local Audit of the accounts of stores and stocks of certain Government institutions undertaken under Section 17 of the Act, *ibid*.

- d.** Local Audit of all receipts and expenditures of bodies and authorities of the Government of West Bengal which are substantially financed by grants or loans from the Consolidated Fund of India or of any State or of any Union Territory having a Legislative Assembly, subject to the provisions of any law for the time being in force applicable to the body or authorities, under Section 14 of the Act, *ibid*.
- e.** Scrutiny by local inspection of the procedure by which the sanctioning authority satisfies itself as to the fulfilment of the conditions subject to which any grant or loan is given for any specific purpose from the Consolidated Fund of India or of any State or any Union Territory having a Legislative Assembly to any authority or body under Section 15 of the Act, *ibid*. For this purpose, audit shall have right of access, after giving reasonable previous notice, to the books and accounts of that authority or body subject to such limitations and conditions detailed in the Section of the Act, *ibid*.
- f.** Section 19 (3) of the Act, *ibid* provides that the Governor of a State or the Administrator of a Union Territory having a legislative assembly may, where he is of the opinion that it is necessary in the public interest so to do, request the C&AG to audit the accounts of a corporation established by law made by the legislature of the State or of the Union Territory, as the case may be, and where such request has been made, the C&AG shall audit the accounts of such corporation and shall have, for the purposes of such audit, right of access to the books and accounts of such Corporation. The Government of West Bengal entrusted C&AG the audit of West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation, West Bengal Minority Development and Finance Corporation, West Bengal Backward Classes Development and Finance Corporation and West Bengal State Warehousing Corporation under Section 19 (3) of the CAG's DPC Act, 1971.
- g.** Local audit of the accounts of bodies or authorities under Section 20 of the Act subject to such limitations and conditions detailed in the relevant Section.
- h.** The audit of institutions falling under sections 14, 19 and 20 and scrutiny of records of the offices of the sanctioning authorities including institutions covered under Section 15 of the DPC Act.

(Manual of Instruction for audit of Autonomous Bodies)

- i.** The Section 19(1) of the CAG's (DPC), Act 1971 provides that the audit of the accounts of Government companies shall be performed and exercised in accordance with the provisions of Chapter-X of the Companies Act, 2013. The accounts certified by the Chartered Accountants appointed by the C&AG under Section 139 (5) the Companies Act, 2013 are subjected to supplementary or test audit under Section 143 (6) (a) the Companies Act, 2013 by the CAG of India. The Section 143 (5) of the Companies Act, 1956 empowers the C&AG to issue directions to the Chartered Accountants on the manner in which the Company's accounts shall be audited. The C&AG gives his comments or supplements the report of the Chartered Accountants under Section 143 (6) (b) the Companies Act, 2013.

j. The duties and powers of the C&AG with reference to the audit of Government Companies and autonomous bodies flow from statute. However, it is also desirable to persuade the Governments to include in the conditions of grants, loans or investments an enabling clause to the effect that the books and accounts of the recipient institutions shall be made available to the C&AG for his scrutiny or audit wherever and whenever, necessary. It is clarified in this connection that provisions of Section 18 of the Act are applicable to audit under Sections 14, 15, 19 or 20 as they are applicable to audit under Sections 13 and 16 of the Act.

(CAG's Manual of Instructions for Audit of Autonomous Bodies)

k. Under Section 23 of the Act, the CAG is authorized to make regulations for carrying into effect the provisions of the Act, in so far as they relate to the scope and extent of audit including laying down for the guidance of the Government departments the general principles of Government accounting and the broad principles in regard to audit of receipts and expenditure. The instructions given for audit as contained in MSO (Audit) and other departmental publications issued under the authority of the C&AG are covered under the provisions of this section.

l. The CAG is also authorized under Section 24 of the Act, to dispense with, when circumstances so warrant, any part of detailed audit of any account or class of transactions and to apply such limited checks in relation to such accounts or transactions as he may determine. The provisions in the Memorandum of Secret Instructions regarding the Extent of Audit and other circulars issued from time to time under the authority of the C&AG on the quantum and extent of audit derive their authority from this Section of the Act.

(Manual of Instruction for Audit of Autonomous Bodies)

m. Local audit of the offices of other State Governments situated within the State, undertaken on behalf of other Accountants General under the orders of the C&AG of India

(HQs. letter No. 9539-TA 1/14 G-80 dated 22nd September 1980)

n. Post audit of vouchers of the Pay and Accounts Officer, IA&AD, Port Blair (Andaman and Nicobar Islands).

(HQs. letter No. 443-Codes I/37-76/Gr. IV, Item 23 of Statement No. IV, dated 28th October 1977 and 1652-TAI/168-78 dated 1st January 1981)

o. Conducting audit of the offices of the State Government located in Delhi/ New Delhi, if directed by the CAG's office

(HQs. Office Order No. 122-Audit (AP) 62-86 Vol-IV Dated 2.9.2003)

1.3 GUIDING PRINCIPLES IN AUDIT

1.3.1 Guiding principles in the audit of Public Sector Undertakings:

The guiding principle of Public Sector Undertakings (PSU) is “Efficiency cum Performance Audit” rather than verifying regularity of expenditure against sanctions or appropriations. The main object of audit is to see how far the auditee organization has achieved the objectives for which it has been established and whether the operations are being carried on efficiently with due regard to the economy. In this process, audit has to appraise the soundness or otherwise of various decisions of the management, in regard to the construction and operation of undertakings. By its very nature, it is not and cannot be a purely financial audit.

(CAG’s letter No. 626/CA IV/8, dated 25.11.1969)

The auditee units coming under the audit control of G&SS-I wing have generally an organized financial accounting system. In Government companies as well as in some statutory corporations, the accounts are audited by the statutory auditors. In such undertakings commercial audit wing may not cover the same field as covered by the internal auditors or statutory auditors and may be limited to some percentage of audit checks on various types of transactions.

The routine checks are exercised by the Accounts and Internal Audit wing of the undertakings. However, it has to be seen that internal audit adequately covers the entire field of operations that is functioning effectively, that its reports are properly considered at appropriate level and that necessary action is taken on them. In such cases of routine audit, if it is taken up at all, will be of negligible quantum and the main purpose in such cases would be to see how far internal check operates effectively. Audit in this regard should be confined to efficiency-cum-propriety audit, the broad principles of which have been laid down in Manual of Standing Orders (Audit).

These apart, the statutory auditors are required to submit a special report, on completion of their audit of a Government Company, on the various points, covered by the directions of the CAG issued to them. The report not only gives information on various matters but also secures that the statutory auditors have discharged their functions well and with reasonable degree of efficiency. In view of this, there is no necessity to cover the entire field again particularly on application of routine audit checks.

The annual accounts of these concerns (particularly Balance Sheet, Profit and Loss Accounts and subsidiary schedules) are certified by the statutory auditors. Since the routine check have already been exercised by the internal auditor/statutory auditors, it is not necessary that similar checks should be exercised by our audit. However, while certifying the correctness of annual accounts, certain checks will have to be conducted. It will be necessary to see that annual accounts have been properly drawn up on the basis of records, already checked.

(CAG’s letter No. 216/CA/61-1965, dated 02.02.1966)

G&SS-I Wing performs its audit functions in harmony with the Auditing Standards promulgated by the CAG, which are consistent with the International Organization of Supreme Audit Institutions (INTOSAI) Auditing Standards. CAG's Auditing Standards 4.9 in chapter I (corresponding INTOSAI Auditing Standards 1.0.38) defines the scope of audit as under:

“The term ‘Audit’ includes financial audit, regularity audit and performance audit” It further adds that in pursuance of the constitutional responsibility, the CAG is empowered to decide the nature, scope, extent, and quantum of audit to be conducted by him or on his behalf.

Further, the objectives of audit of accounts or audit of receipts & expenditure of Government Companies/Bodies and authorities under Sections 14, 19 and 20 of the Act are three-folds. The first is to check that transactions comply with relevant laws, rules and regulations, (Compliance Audit), the second is concerned with the certification of annual accounts (Financial Audit), and third is to conduct Performance audit to assess economy, efficiency and effectiveness of various activities/programmes undertaken by these Government Companies/Bodies and authorities (Performance Audit). The scope of audit under all these Sections can cover all these objectives depending on the facts of each case. In practice, however, the certification of annual accounts is undertaken only under the provisions of Sections 19 and 20.

(C A G's Manual of Instructions for Audit of Autonomous Bodies)

a. Supplementary Audit:

Duly adopted and audited accounts to be made available to Audit

The company shall make available the balance sheet and the profit and loss account and any other statements or documents declared under the Companies Act, 1956 to be part of or annexed to the balance sheet and the profit and loss account (called Annual Accounts) duly adopted by the board of directors and audited by the statutory auditor to the PAG within three months after the close of the year of accounts for timely finalisation and issue of comments of the CAG and for consequently holding the annual general meeting of the company within the time stipulated in the Companies Act, 1956.

It is the statutory auditor who is primarily responsible for expressing an opinion on the accounts of the company. Supplementary audit of the accounts by the CAG is, by its very definition, mainly an instrument of quality control of financial audit of accounts that begins with careful selection of the statutory auditor and continues with the ongoing oversight of his work including review of the conclusions drawn in his audit report. The scope of supplementary audit of annual accounts of a Government company and a deemed Government company by the CAG shall include an examination of selected accounting records and a review of the audit report of the statutory auditor including the opinion expressed by him on the annual accounts of the company. The supplementary audit of the Companies and Corporations is conducted mainly by reference to the Accounting

Standards and Auditing & Assurance Standards issued by the Institute of the Chartered Accountants of India. In any area where standards are still to be put out by the Institute of Chartered Accountants of India (ICAI), the International Accounting Standards are adopted as guidelines. Further, if the accounts of the Company certified by the Statutory Auditor, have misrepresented any fact or overlooked any material fact, they are commented upon by CAG's Audit. The supplementary audit is aimed at ensuring that the accounts represent a "true and fair view" of the financial position of the Company and are in conformity with the provisions of the Companies Act. The significant and material observations made in supplementary audit shall be issued as comments of the CAG under the Companies Act, 1956 after due consideration of the views, if any, of the statutory auditor and the management of the company. The comments on the Accounts are required to be placed before the Annual General Meeting of the Company.

(Regulations on Audit and Accounts, 2007, Chapter 9)

b. Certification of accounts of autonomous bodies set up by or under law made by Parliament and Audit of State Corporations and other bodies and authorities entrusted to the CAG:

Provisions relating to audit of Statutory Corporations, Autonomous Bodies and Authorities are contained in Sections 14, 19(2), 19(3) and 20 of the CAG's DPC Act, 1971. The certification of accounts is "the independent examination of and expression of an opinion on the financial statements of an entity by an appointed auditor in pursuance of the terms of appointment and in compliance with statutory obligation".

c. Applicable standards and verifications required in audit of accounts:

Where the CAG is the sole auditor of a corporation, the financial audit is conducted in accordance with the auditing standards issued by the CAG. Audit shall verify whether systems and procedures are in place and implemented to ensure that the accounts:

1. Comply with the requirements of the applicable law(s), rules and administrative instructions;
2. Comply with the accounting standards prescribed by the Institute of Chartered Accountants of India;
3. Contain adequate disclosures in respect of financial transactions; and
4. Present a true and fair view of the corporation's financial position.

On the completion of financial audit the PAG (after approval of the CAG of India) shall send the audit certificate and the separate audit report which will form part of the audit certificate on the accounts of the corporation to the Secretary to Government of the concerned department with a copy to the Chief Executive Officer of the corporation after completion of accounts audit. The separate audit report and audit certificate on the accounts are required to be placed in the Assembly.

(Regulations on Audit and Accounts, 2007, Chapter 8)

d. Transaction Audit: Scope of test audit by the CAG:

In addition to the supplementary audit of annual accounts of a Government company or a deemed Government company, the CAG may conduct test audits during the year. This audit shall cover transactions entered into by the company with a view to examining their regularity, propriety, probity, economy, efficiency and effectiveness and report on cases of failure of compliance with laws, rules and regulations, waste, mismanagement, other irregularities and frauds and corruption. The scope of test audit may extend to more than one financial year.

(Regulations on Audit and Accounts, 2007, Regulation 136 of Chapter 9.)

It covers also audit against Waste and Value for Money (VFM) audit. The audit includes examination of transactions in sales, purchases, contracts, pricing, costing, material management, outstanding dues, inadequacies in control systems, comparison of performance with standards of performance laid down, improper decisions leading to waste, internal audit, productivity, financial and physical performance, attention to environmental problems, energy conservation, capacity utilisation, investment decisions, project implementation etc. Audit is not limited to financial (vouching) or compliance (regularity) audit. The scope and extent of audit is determined by the PAG as per Manual of Standing Orders (Audit) issued by the CAG.

e. Reporting and Follow Up:

The Audit Reports (PSUs), Government of West Bengal of the CAG are presented to the Legislative Assembly. Such reports include three Chapters on ‘Overview of State Public Sector’, ‘Performance Audit Reports’ and ‘Compliance Audit’.

The Reports are examined selectively by the Committee on Public Undertakings (COPU), which is a committee of Legislative Assembly. The committee is assisted by the CAG and/or his officers. The committee takes evidences and witnesses from Management and/or Department. It calls for Action Taken Note (ATN) from the Department and/or Management of the Undertaking in addition to or without taking evidence, as it considers necessary. Its findings and recommendation are presented to the Assembly and are generally accepted and acted upon by the Government. The vetted documents of ATN on all the actionable points in the audit report are watched by the G&SS-I Wing, those are examined and accepted if adequate remedial measures have been taken by the Government.

f. Authority of the CAG to dispense with supplementary audit

The CAG may, at his discretion, dispense with supplementary audit of the accounts of a company for any particular year.

g. Preliminary audit compliance

Before taking up the detailed checking of different items of Balance Sheet and Profit and Loss Account it is to be seen:

- Whether previous year's accounts along with the Auditors' Report and C&AG's comments thereon are adopted by the members in the Annual General Meeting prior to approval and authentication of current year's accounts.
- Whether the accounts are approved by the Board of Directors and authenticated by the directors as required under Section 215 of the Companies Act, 1956.

1.3.2 Guiding principle for special audit:

a. The responsibility for initial investigation of losses due to fraud, negligence, financial irregularities, etc., rests primarily with the departmental authorities concerned and the Government. No request for special audits, may, therefore, be entertained until the case presents special features and requires expert scrutiny by the staff of the Indian Audit and Accounts Department (IA&AD). Special Audit is undertaken only at the request of the Government and requires sanction of the PAG (G&SSA), WB. Such an audit usually requires more time than ordinary test audit as a more thorough check has to be exercised in such cases. In the first instance, the department is to investigate against the complaint and report before the question of a special audit could be considered and such audit should only be by way of assisting the administrative authorities in their investigation. This guiding principle should be kept in view in agreeing to undertake a special audit so that this office may not be requested by Government to take up large number of special audits prior to departmental investigation or before a prima-facie case of fraud or embezzlement is made out. When, however, the normal audit of an institution becomes due, there would be no objection, if at the same time a request comes from the State Government for a Special Audit of that institution.

(HQs. letter No. 3629-Admn1/462-60 dated 22nd November 1960)

b. In cases where special audit of accounts of grantee institutions are proposed by the Government on account of suspected irregularities, the audit should be undertaken with the least possible delay irrespective of whether the accounts are complete or not. An audit of even imperfect records would establish prima facie the nature of the irregularities. On conducting this preliminary scrutiny of accounts, the institution may be permitted to complete their records after which a second and more complete audit may be undertaken.

(HQs. letter No. 2197-AdmnH/14-60 dated 20 November 1960 read with the Government of India, Ministry of Finance memo No. F II (53)-E II (A)/60 dated 24th October 1960)

c. When a special audit for special reasons i.e. suspected misappropriation or other serious financial irregularity is undertaken at the request of the State Government, it will be in pursuance of the statutory functions of the CAG and the cost thereof falls on the Audit Budget. The question of recovery of cost of audit will arise only when the audit is not the statutory function of the CAG and is undertaken on a consent basis.

(HQs. letter No. 1615-Admn111/232-60 dated 11th August 1960)

d. No special audit of the accounts of an office or institution under the State Government may be undertaken unless the request for it is received through Finance Department. The instructions of the State Government (Finance Department) regarding undertaking of special audit are given in **Annexure ‘A’**.

e. Sometime the PAG may receive requests from the State Government or Management of the Government companies/corporation to undertake special audit. The following principles may be followed in such cases:

i. State Government Companies:

In terms of Section 233A of the Companies Act, 1956 where the Central Government is of opinion (a) that the affairs of the company are not being managed in accordance with sound business principles or prudent commercial practices; or (b) that any company is being managed in a manner likely to cause serious injury or damage to the interest of trade, industry or business to which it pertains; or (c) that the financial position of any company is such as to endanger its solvency; the Central Government at any time by order direct that a special audit of the company's accounts for such period or periods as may be specified in the order, shall be conducted. However, audit in depth of the transactions can be conducted under Section 619 (3) (b) of the Companies Act, 1956. In the course of the audit, it should be possible to cover any particular transaction referred to by respective Government or the management of the company for special audit. Normally request for special audit as such need not be entertained. If such request is received and pressed for, it should be examined on the merits and proposals for conducting audit in depth of the concerned company under section 619 (3)(b) of the Companies Act, be referred to CAG for clearance and approvals.

ii. Statutory Corporations:

The position varies from corporation to corporation. In certain corporations, audit by CAG is supplementary to the audit conducted by the statutory auditors, while in others, CAG is the sole auditor. The requests, if any, for special audit relating to corporations are required to be examined with reference to provisions contained in the relevant Acts and after taking into account other relevant factors. In each case, CAG will be approached for prior approval with recommendations of AG.

(CAG's letter No. 119/CA-IV/Tech/1-80, dt. 25-01-1980)

f. Issue of Special Audit Report: The “Report” of Special audit undertaken on request of the Finance Department, Government of West Bengal on the accounts and records of the office or institution should be sent “Confidentially” under the signature of the Group Officer level with the approval of the PAG (G&SSA), WB, to the Finance Department with a copy to the Head of the concerned Administrative Department and Head of the auditee unit.

g. Maintenance of records: The papers being confidential shall not be marked to the section in a routine manner, but retained at Senior Audit Officer/Audit Officer Level.

(AG’s order dated 16.11.2001)

1.4 CONSENT AUDIT

The practice of undertaking audit on consent basis has since been ceased and audit of such nature be done under section of 14, 15, 19 and 20 of the CAG’s (DPC) Act, so as to ensure that there are no interruptions in audit.

*(Para 12 of HQs. letter No. 149-TAI/50-69-Vol. II dated 2nd March 1974
and No.854-TAI/37-74 dated 10th October 1974)*

1.5 COMPOSITION OF THE GENERAL AND SOCIAL SECTOR-I WING

The G&SS-I Wing is under the supervisory charge of an officer of the Indian Audit and Accounts Service designated as the Senior Deputy Accountant General (G&SS-I) or Deputy Accountant General (G&SS-I), termed as Group Officer (G&SS-I). He is assisted by an Assistant Accountant General (AAG)/Senior Audit Officer (Sr. AO) /Audit Officer (AO) at the headquarters termed as Branch Officer in attending to the work relating to Administration of the G&SS-I Wing and other routine matters. In the supervision of field work, the Group Officer (G&SS-I) is assisted by a number (as sanctioned by the CAG from time to time) of Sr. AO/ AO termed as Supervising Officer. The G&SS-I Wing consists of **(a)** Outside Audit (OA) Headquarters and **(b)** field parties named as Inspection Parties.

Consequent upon restructuring of Audit arrangements between O/o the PAG (G& SSA) WB and the AG (E&RSA) WB w.e.f. 16.04.2012, audit jurisdiction of Departments falling under General & Social Sector has been vested with this office containing observations arising out of G&SS Department as well as Public Sector Undertakings (PSU) and departmentally managed Commercial undertakings. Inspection Civil Wing was renamed as General & Social Sector-I Wing (G&SS-I) and names of the sections under GSS-I Wing have been renamed as under:

Pre-Restructuring Name	Present Name
IC-I	G&SS-I(HQ)
IC-II	G&SS-I(DP Cell)
IC-III	G&SS-I(IR)
IC-IV	G&SS-I(AB)

*(O.O No. OA/GSS-I(HQ) /OO/2013-14/07 dated 21.10.2013
& B.O No. OA/GSS-I(HQ) /BO/2012-13/03 dated 18.09.2012)*

On approval of the CAG of India, sectoral restructuring of this office has been effective since 16 April 2012 with the intention to facilitate integration of audit efforts of all state audit offices. Consequent upon restructuring, this office has been divided into three wings viz. GSS-I, SS-II & SS-III. Further, this office is vested with the responsibility of publishing three audit reports viz. State General and Social Sector Report besides forwarding Integrated Audit Plan for the state as a whole.

(B.O No. OA/GSS-I (HQ)/OO/2013-14/01 dated 10.05.2013)

1.5.1 Head Quarter Sections: GSS-I Wing Headquarter consists of four sections. The strength of the GSS-I Wing headquarters would be determined as per the following scales fixed by the CAG based on the Inspection party required in each year for carrying out the annual audit programme and the number of offices to be locally audited:

(i) Two Sr. Auditors/Auditors for every three parties in the field plus one Sr. Auditor/Auditor for preparation of programmes and other miscellaneous work. Where the number of field parties is more than 20, another Sr. Auditor/Auditor may be given in addition for preparation of programmes, etc.

(HQs. letter No. 1644-AdmnIII/268-80 dated 12th August, 1960)

(ii) For every seven (7) Sr. Auditors/Auditors in the headquarters there shall be one Assistant Audit Officer (AAO) and one Clerk.

(HQs. letter No. 1876-BRS/304-784 dated 4th May, 1979 filed in Admn. Section)

(iii) The posts of relieving AAO/Supervisor should be provided at 5 per cent of the total number of inspection parties, subject to availability of qualified AAO.

(HQs. Circular No. 39-TAI/81 issued under No. 1136-TAI/102-80 dated 28th September 1981)

Note: The existing sanctioned strength of relieving AAOs were computed at 10 per cent of the total number of Inspection Parties as per HQs. Circular No. 47-TA.1/80 issued under No. 844-TAI/102-80 dated 23rd August 1980 which had revised under Hqs letter dated 28th September 1981.

(iv) One temporary post of AAO for G&SS-I Wing Headquarters for assisting the Group Officer (GSS-I) in vetting the Inspection Reports (IR) pertaining to GSS-I Wing.

(HQs. letter No. 2593-BRS/39-70 II dated 29th September 1970)

(v) The norms for Gazetted supervision of GSS-I Headquarters are 0.5 Gazetted Officer for every 15 parties or part thereof.

(HQs. letter No. 689-0 do M/85-80 dated 27.9.1980 filed in Admn. Section)

1.5.2 Inspection Parties: The strength of Inspection Parties varies from year to year as per the norms fixed by CAG, depending on the number of party days in each year required for carrying out the annual audit programme based on increase/decrease in the number of offices to be locally audited, as also in accordance with the forecast of local audit prepared at the commencement of the year.

(i) Major parties consisting of two (2) AAOs/Supervisors and two (2) Sr. Auditors/Auditors may be allowed for the inspection of Departments of Government and other important offices etc. Addition can be made by the PAG/Sr. DAG/DAG with reference to administrative set up and allocation of functions in different auditable units.

(ii) Minor parties consisting of one (1) AAO/Supervisor and two (2) Sr. Auditors/Auditors may be allowed for inspection of subordinate and district level offices including jails, schools, hospitals and dispensaries, District Courts, etc.

(iii) In case of shortage of qualified AAO, the major parties may have to be converted to minor parties of one (1) AAO/Supervisor and two (2) Sr. Auditors/Auditors in order to cope with the Annual Inspection Programme.

(iv) In the case of audit under Sections 14, 15, 19 & 20 of the CAG's (DPC) Act, 1971, the parties may consist of two (2) AAOs/ Supervisors and two (2) Sr. Auditors/ Auditors.

(HQs. Circular No. 46-TA.1/80 issued under letter No. 343-TAI/120-80 dated 23rd August, 1980, filed 0A-1C/A dmn/80-81/15)

(v) The quantum of supervision of the GSS-I Inspection Parties has been fixed at 75 per cent.

(HQs. letter No. 1271-0 & M/7/81-Vol.V dated 24.9.1985)

1.6 INCIDENCE OF THE COST OF THE AUDIT

Audit of the accounts of expenditure and receipts of Government Departments and of the stores and stock in the possession of an officer or of a Department of Government by the IA&AD under Section 13, 16 & 17 of the CAG's (DPCS) Act, 1971 is a Central subject. The cost of local audit and inspection of Government Departments, offices and institutions, is therefore, a charge on the Union Government and debitable to Central Revenues under the head 2016-Audit.

1.6.1 The Rules: The rules regulating the incidence of expenditure involved in audit of accounts of bodies and authorities conducted by the IA&AD have been laid down in CAG's circular letter No.64 TAI (A)/33-85 Vol II dated 6.1.69. The cost of audit of bodies and authorities including corporations will be recoverable in which audit is undertaken by the CAG or any officer under him as the sole Auditor. In cases in which the audit of accounts of the body or authority is conducted by another agency and by the CAG or an officer under him represents second or superimposed audit under Section 14, 15 or 19, as the case may be, the cost of such second or superimposed audit need not be recovered from the body or authority concerned. As regards audit under Section 20, the same is required to be undertaken on such terms and conditions as may be agreed upon between the CAG and the concerned Government. One of the terms to be settled in this regard would relate to the recovery of the cost of audit of the body or authority to be entrusted under Section 20 of 1971 Act. The recovery of the cost of audit in these cases will, therefore, be regulated by the agreement that will be arrived at in each case. In respect of smaller institutions which are not involved in manufacturing or trading activities, however, recovery of cost of audit, where CAG is the sole Auditor, need not be effected if the amount is less than Rs. 10,000 per annum in each case. Subject to standard terms and conditions as specified in Manual of Instructions for audit of autonomous Bodies, PAG (G&SSA), WB may undertake audit under Section 19 (3) or 20 (1). No reference to Headquarters' office (CAG) is necessary.

(HQs. letter Circular No. 13-TA-1/28-73 dated 9th January, 1975, 1513 TAI/RGL/7.81 dt. 23.11.1982 & HQs. D.O. No. 649-Audit 11/143-85 dated 28.4.1985)

1.6.2 Audit Fee:

- a. For the audit of Non-Government accounts such as local bodies, etc. undertaken under Sections 14, 15, 19 and 20 of CAG's (DPCS) Act, 1971, Audit Fee is charged in cases where it is chargeable as per **paragraph 1.6.1** of this manual, according to the scale to be approved by the CAG of India from time to time.
- b. The Audit Fee for the recovery of cost of audit of non-Government funds should be calculated in accordance with the instruction contained in the Swamy's Compilation of Government of India order No. 3 below 9 (31) as follows:

- (i) Average cost of each of the staff
- (ii) Allowances such as DA, ADA, HRA, CCA etc. on average cost determined (i) above as direct charges.
- (iii) Indirect charges @ 125% of the total of the Average cost and allowances determined (i) & (ii) above.

(HQs. letter dated 4.6.85 & 1513-TAI (R110/7-81 dated 23.11.82)

- (iv) The number of days for working out the daily rates of Audit Fees in a year should be equal to actual number of working days but not less than 220 days in the case where all the Saturdays are holidays.
- (v) In cases where only second Saturday of every month is closed day, the number of days for working out the daily rates should be either the actual number of working days but not less than 260 days in a year.

(HQs. letter No. 498 Audit-11/62-27 dated 20.09.2000)

- (vi) As per instructions issued in HQrs. letter dated 06.01.69, the daily rates of Audit Fees are to be worked out and approved by the Head of the Department within two months of revision of rates of Pay & allowances and a copy of approved revised rates to be sent to HQrs. ensuring that there are no wide disparities in the rates approved in different offices. A note is also to be kept in Calendar of Returns. As and when Pay and allowances are revised the rate of daily allowances are also revised.

- c. A paragraph indicating the total amount of Audit Fee of the prior period recoverable from the Authority/Body should be incorporated in the IR.
- d. No Audit Fee is levied in respect of audit of companies conducted under the provisions of the Act and in respect of those statutory corporation where audit by CAG is supplementary (i.e., in addition to that of the statutory auditors).

1.6.3 Audit Fee Register:

- (i) The realization of the Audit Fee is watched through the Register of Audit Fees maintained in Form SY 338 (as detailed below) by G&SS-I (AB) section of the G&SS-I Wing. The Audit Fee assessed, claimed and realized are to be noted in the relevant column of the register.

Sl. No.	Name of the authority audited	Nature of audit	Period of account	Authority for undertaking audit	Dates of audit	No. of days taken	Strength of party with details of leave etc. availed by the party member	Rates of audit fee per day
1	2	3	4	5	6	7	8	9

Authority for fixing audit fees	Cost of audit recoverable	Amount of arrear	Total	No and date of demand note	Amount recovered	No and date of credit intimation	Initials of officials	Remarks
10	11	12	13	14	15	16	17	18

A report of the amounts of Audit Fees outstanding at the end of each month should be prepared on the 5th of each month and submitted to the Branch Officer. The register should be submitted to the Group Officer (GSS-I) on 15th of April, July, October and January for his information.

(ii) The recovery of Audit Fee (in case of the local bodies or funds which bank with treasuries) is made by the Treasury Officer by book adjustment out of the funds of the bodies concerned on receipt of a requisition to that effect from the Audit Party specifying therein the amount due for recovery. In cases where such bodies or funds do not bank with the Treasuries, the Audit Fees are credited into the Treasury by the Administrator of the fund at the instance of audit.

(iii) The registers are required to be reviewed half-yearly by a nominated officer.

(HQs. letter No. 720-Inspn./48-53 dated 26th November, 1984)

(iv) As and when Audit Fee is settled, it should be ascertained from the P&AO that they have duly been received and cheque/DD from the bank are posted correctly under the head of account and it should be attested by AAO in charge.

1.7 SPHERE OF DUTY OF THE INSPECTION PARTIES

(i) The Inspection parties have their sphere of duty throughout the State of West Bengal and Port Blair at the Andaman Nicobar Islands for audit of General and Social Sector Offices (including Commercial undertaking) of the Government of West Bengal and of other states with their headquarters at Kolkata.

(ii) However, if otherwise directed by the Head Quarters (CAG) office the audit of the General and Social Sector offices (including Commercial undertaking) of the Government of West Bengal located in New Delhi/Delhi may also be conducted by the GSS-I Wing of the Office of the PAG (G&SSA) West Bengal.

(Order No. 122-Audit (AP)/62-86 Vol-IV dated 2.9.03)

1.8 SELECTION OF STAFF TO BE DEPUTED FOR INSPECTION WORK

a. In order to make the inspection work more purposeful and incurred on inspections, the Inspection work should be entrusted to specially trained, competent and intelligent staff who would, in addition to exercising the routine prescribed checks, also examine the accounts and transactions intelligently and pay due regard to the principles of efficiency-cum-performance audit. Special attention should, therefore, be paid to the selection of staff deputed for inspection work, so that it may be ensured that inspections are conducted in really effective manner.

(HQs. letter No. 539/Admn/3 Rep/49 dated 23rd March, 1950)

b. Although it is left to the discretion of the PAG to select the Inspecting Officers, the CAG considers that junior AAG and experienced Sr. AO/AO should profitably be employed on inspection duty.

c. As a rule, the AAO/Supervisor selected for local audit, should be picked up man, who have special aptitude for the work and have sufficient experience in the Departmental Audit Section.

d. As far as possible, preference should be given to Auditors who have about three years' experience of inspection work.

(HQs. D.O. No. 5117-EI/53-58 dated 31st October, 1958)