

MANUAL OF THE WORKS AUDIT DEPARTMENT

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MANUAL OF WORKS AUDIT DEPARTMENT

CHAPTER - 1

Constitution and Control

1.1 Constitution: Works Audit Department (WAD) is responsible for audit of transactions of Public Works Divisions (R&B including National Highways, Irrigation (P.W. Workshops and PAO's) and other Departmental Officers (such as State Port Officer of the State) rendering accounts on the Public Works pattern.

1.2 Control:

1.2.1 The Works Audit Department comprising the following branches is under the overall supervision of Sr.DAG (*ES Wing*).

ES-I Coordination Section

Public Works Inspection parties.

Inspection Report Cell (I.R.Cell)

1.2.2. Strength: The sanctioned strength of the above mentioned branches is shown below:

<i>Sl. No.</i>	<i>Name of the section</i>	<i>Sr.Aos/AOs</i>	<i>AAOs/ Supervisors</i>	<i>Sr.Ars./ Auditors</i>	<i>DEOs</i>	<i>MTS</i>	<i>Total</i>
<i>1.</i>	<i>Coordination Section and IR Cell</i>	<i>3</i>	<i>5</i>	<i>12</i>	<i>2</i>	<i>3</i>	<i>25</i>
<i>2.</i>	<i>Field Parties</i>	<i>15</i>	<i>27</i>	<i>6</i>	<i>---</i>	<i>---</i>	<i>48</i>
	<i>Total</i>	<i>18</i>	<i>32</i>	<i>18</i>	<i>2</i>	<i>3</i>	<i>73</i>

1.2.3 ES- I Coordination and I.R.Cell are under the direct charge of Senior Deputy Accountant General (ES wing): Routine matters in these Sections are however dealt with by the Branch Officer.

1.2.4 Functional distribution: The distribution of work among various sections is as indicated in **Appendix – I**.

1.2.5 Co-ordination: ES-I Coordination section is primarily responsible for co-ordinating and guiding the audit activities in all sections to ensure uniformity in approach and also in procedures at all levels. It functions also as a liaison section to interact with other groups in the office.

1.2.6 The section is required to examine all important cases and cases involving general items such as delegation of powers, questions relating to conduct of audit including delays in receipt of vouchers, settlement of objections in order to avoid conflicting views in the matter of interpretation of rules and orders. The cases shall be referred to co-ordination section for critical examination with the approval of Sr.DAG and the officers concerned shall invariably record their views, while seeking the expert advice of the Section. In all deserving cases self contained notes shall be submitted by the Section to the Accountant General for orders before communicating any decisive views to the departmental authorities or Government. The Section should maintain a Register of Cases in the form indicated in **Annexure-I** and submit it to the Branch Officer on the 5th of every month.

1.3 Re-orientation of Central and Local Audits, and Formation of WORKS AUDIT in Works Audit branch

1.3.1 The scheme of re-orientation of Central Audit and Local Audit covering Public Works Departments was approved by Headquarters office¹ for implementation from 16-4-90. The primary object of re-orientation is to suitably combine Central Audit and Local Audit in order to accomplish all the audit requirements in an effective and purposeful manner. The Central Audit should observe the overall interest of audit by supplementing it with the Local Audit processes. Thus Central and Local Audits should assume Complementary and Supplementary roles. The scope of the re-orientation scheme is detailed below:-

- In central Audit, Systems Audit and Scheme Audit should be intensified,
- Visits to Secretariat/Heads of Departments should follow the Central Audit of Sanctions, contracts and vouchers
- Comprehensive audit of sanctions and agreements should be conducted under the guidance and supervision of the Branch officer
- Collection of sanctions and maintenance of data files for schemes
- Maintenance and updating portfolio files.

Works Audit Sections should provide feedback to field parties by making available copies of orders, instructions, and rules for undertaking a thorough and in depth scrutiny of various orders, sanctions and their correct application.

Findings and recorded objections in Central audit as a result of examination of files and documents pertaining to secretariat/Heads of departments should be furnished to field parties for their use during inspection. The inspection reports should be pursued by the **IR Cell**.

1.3.2 As the integrated audit system is intended to ensure co-ordinated audit activity by suitably interfacing central and local audits, there should be periodical interchange of staff between the related Audit Units and the local audit parties.

(Hqrs letters i) D.O.No.326-Audit/II/119-86-II dated 2 March 1987 and ii) 741 - audit II/119-86-III dated 31 March 1988)

1.4.1 Duties: - The functions and responsibilities of the Sr.Auditors/Auditors AAO/SO/Supervisors and Branch Officers in regard to the audit and review of works expenditure are prescribed in Chapter 2 of Section IV of the Comptroller and Auditor General's Manual of Standing orders(Audit). Further instructions in this regard are detailed in the subsequent paras.

1.4.2 Senior Deputy Accountant General (ES Wing)

The WAD is under the control of Sr.DAG (**ES Wing**) (~~W&P~~). He will exercise all the powers of Sr.DAG as detailed in M.S.O.(Audit) for the purpose of waiving of objections; Selection of month of

¹ Lr.No.741-Audit-II/119-86-III dated 31-3-88

account to be test-audited, works to be analysed, and accounts of sub-division to be test checked during local inspection of P.W. Division etc., are also done under the orders of the Sr.DAG (W&P).

1.4.3 Branch Officer: It is essential that the Branch officer should be thoroughly well-informed of what is going on in his sections and be in personal touch with staff working under his control. He should devote his personal attention to the disposal of outstanding Inspection Reports and Audit Notes and take such effective steps as are necessary for keeping the outstanding at the minimum. He should be especially vigilant to spot out serious irregularities which should develop into draft paragraphs for inclusion in the appropriation Accounts and Reports of Comptroller and Auditor General thereon. He should ensure that all progress reports, books, registers etc., maintained in the section are kept in proper order and not allowed to fall into arrears, and to this end, he should personally inspect the books and records under his control and take suitable notice of any short comings on the part of the staff that may be detected by him. The Branch officer is responsible to the Senior Dy. Accountant General for the satisfactory working of the sections entrusted to him.

1.4.4 AAO/Section Officer/Supervisor: He is personally responsible to the Branch Officer in-charge for the efficiency of the internal arrangement and the expeditious performance of the work in his section as a whole. He is particularly responsible for the proper maintenance of the sectional Calendar of Returns and for seeing that each return is submitted/despached on its due date. Besides exercising the checks prescribed in paras 4.2.7 to 4.2.9 of MSO (Audit) he is responsible for seeing that-

- The Executive Engineer has accepted or scrutinised the monthly accounts;
- Any undue delay in the receipt of accounts, vouchers etc., is brought to the notice of competent authority in A&E Office.
- There has been no undue delay in any audit process.
- The audit of accounts and returns is conducted with due regard to prescribed rules.

All necessary special reports have been issued and all objections arising out of audit have been incorporated in the Audit Note and the monetary value of objection in the Audit Note and the Inspection reports kept in the objection books. The papers etc., received in the section are properly distributed and references and other correspondence arising in the sections are promptly disposed off. The desks of Auditors are inspected once in a month to ensure that the papers disposed of have been properly filed or transferred, as the case may be.

Inspection Report received back with replies is correctly and promptly disposed off; all arrears in disposal of audit notes etc., are promptly brought to the notice of the Branch Officer in-charge.

Notes suggesting amendments to W.A Manual, APWA code, APWD code etc., in respect of any important order, etc., received by him are submitted through ES-I Coordination and a suitable note book is maintained by him which should be submitted to the Branch officer on the 3rd of every month.

1.4.5 Sr.Auditors/Auditors:- The Sr.Auditor will be held entirely responsible for complete audit of Divisional accounts entrusted to him. Among other things, he will be responsible for:-

- Watching the punctual receipts of the monthly Divisional Accounts, returns, statements etc., and for issuing reminders for those not received in time.
- Examining and exercising necessary checks, in respect of monthly accounts including the tallying of the figures in the schedules and other documents accompanying the accounts with those incorporated in the monthly accounts
- Putting up the registers of selection of vouchers for audit/review together with the schedule dockets and vouchers received.

Note: 1) Contractor's bills which are adjusted by; credit/debit to P.W.deposit/Misc. Works Advances in terms of Art.138 of Account Code Vol.III should be treated as contractor's bills and not as transfer entries.

Note: 2) The list of vouchers due should be indicated in the register at the time of its submission to the AAO/SO/ Supervisor and when the vouchers are received the list should again be put up to the section head for selection.

Auditing in detail the monthly accounts (including schedule dockets and vouchers and the check of contra references noted in schedules, dockets etc.,) and the periodical returns and statements in accordance with the prescribed rules (vide also provisions in Chapter 6 of this Manual).

- (i) Preparing the Audit Note Part I, disposing it off on its return from the divisional officer and maintaining the Objection Book vide instructions contained in paras 4.4.2 to 4.4.4/ and 4.4.8 of the MSO(Audit).
- (ii) Writing up the Audit Note part II in accordance with the instructions laid down in para 4.4.3 of the MSO (Audit) and disposing it off on its return from the Divisional officer; putting up special reports of pending objections to the Government where necessary and writing up progress registers of Audit notes;
- (iii) Scrutinising all sanctions to estimates and other sanctions and orders with reference to their propriety and regularity.
- (iv) Scrutinising and disposing of all completion reports and annual Certificate of Balances, as provided in paras 4.3.28 of the MSO (Audit).
- (v) Scrutinising with due vigilance, all expenditure brought to account towards the close of the year, especially during March.
- (vi) Scrutiny of Land Compensation Payments with Land award statements and entries in the land charges register maintained in the (A & E) Office vide para 4.3.36 of MSO (Audit).
- (vii) Attending to correspondence, filing of papers, disposal of cases etc., with reference to orders issued from time to time and submitting to the AAO/SO/Supervisor all returns, registers, etc., on the due dates and in the prescribed manner;
- (viii) Issuing reminders in cases of delay in reply to letters, return of Audit Notes parts I and II:
- (ix) Issuing reminders to get replies to Inspection Reports or rejoinders thereto till all the points noted therein are settled;

- (x) Maintaining the registers showing progress in disposal of Inspection Reports, financial irregularities and points for examination in local audit.
- (xi) Furnishing material for appropriation Accounts, Audit Reports., etc., as required by ES-I Coordination and I.R.Cell;
- (xi) Furnishing the Half Yearly statement of objections and paras of Inspection Reports to IR Cell for communication to Govt. /Heads of Departments.
- (xii) Attending to any other item of work that may be entrusted to him by the Branch officer/Section head.

1.4.6 Clerks: They are responsible for

- Diarising, Indexing, referencing and filing
- Preparing weekly reports of letters outstanding and various returns to ES-I Coordination and other controlling sections;
- Sending old cases, paid vouchers, schedules etc., to old records/A&E office.
- Maintenance of sectional libraries;
- Typing work or sending to Type section approved drafts and watching their return or fair copying small drafts which are not sent to type section.
- Maintenance of case register incorporating the cases emanating in the section to be submitted to the BO on the 5th of every month.
- Copying audit notes.
- Any other duties as enjoined in other Manuals or entrusted to him by the Branch Officer/Section Head.

1.4.7 Duties and responsibilities of Sr.AO/AO, AAO/SO/Supervisor, Sr.Auditors /Auditors are detailed in **Annexure II.**

1.4.8 Draft operational hand books for Senior Auditors/Auditors and Clerks in Works Audit Sections are given in **Annexure-III.**

Source: (ES-I Coordination/A/15.516/88-89/O.O.No.I, dated 11-4-1990)

1.5 Maintenance of Manual of Works Audit Department

1.5.1 The responsibility for keeping this Manual up to date devolves on the ES-I Coordination Section but the *IR Cell* is also responsible for proposing corrections wherever considered necessary. Instructions/decisions/rulings and orders of the Comptroller and Auditor General of India, Govt. of India, State Government, Accountant General and Senior Deputy Accountant General (ES-I) of permanent nature relating to works audit should be incorporated in this Manual with full reference to the number and date of letter, the case No. etc., in taken of authority. Whenever corrections to the Manual are required as a result of acceptance of orders by ES-I Coordination Section, the corrections may be drafted by the Section. In respect of cases arising in *IR Cell* requiring manualization, the draft corrections thereto should be furnished by that section to ES-I Coordination Section.

1.5.2 The draft corrections in all cases should be submitted to Accountant General through Branch Officer in charge of ES-I Coordination Section and the Group officer.

1.5.3 A separate register for noting the corrections to the Manual should be maintained in ES-I Coordination Section. The corrections slips should be serially numbered and entered in the register. The Register should contain the subject, reference to the para in the manual, number and date of authority requiring the correction and the case number, file number etc.

1.5.4 Copies of correction slips to W.A Manual, A.P.W.A. Code, A.P.W.D. Code and orders of the State Government and Central Government received in ES-I Coordination Section should be supplied to all officers and sections as soon as they are approved/ received.

1.6 Calendar of Returns

1.6.1 A Calendar of Returns should be maintained by the AAOs/SOs/ Supervisors of all sections in the form prescribed in **Appendix II**.

1.6.2 The Calendar of Returns with the actual date of completion of each item of work duly noted therein, should be submitted to the Branch Officer every Tuesday indicating the reasons for delay in submission or non-submission of the returns due up to the preceding Saturday. The Calendar should be submitted to the Sr. Deputy Accountant General (ES –I) through the Branch Officer on the 3rd of every month, along with the Monthly Arrear Report. The Branch Officer should check the correctness of the date of submission of return in the Calendar of Returns to the extent of 10% of the total items and these test checked items should be indicated before submission to Sr. Deputy Accountant General (ES – I).

1.7 Monthly Arrear Report

1.7.1 A detailed report on the state of work in each section should be submitted to the Branch Officer on the 3rd of each month in the prescribed form given in **Appendix III** to this Manual. This report should be prepared carefully and it should reflect the true state of work in the section as it stood on the last day of the month. The actual position of a particular item of work remaining to be completed should be taken into consideration and correct estimate of the arrears in terms of man-days should be computed and indicated in the report on the basis of the formula given in the sub-para (e). For items of work which are not covered by this formula, assessment of arrears may be done on ad-hoc basis. The arrears should be assessed in terms of man-days as accurately as possible keeping in view the number of days actually required to overtake them.

1.7.2 Arrears in current review by AAO/SO/Supervisor may also be shown separately in the monthly report indicating the opening balance, additions, clearance and balance pending.

1.7.3 While approving the arrear reports, the Branch Officer should verify the actual position of arrears in the sections and exercise proper check over the correctness of arrears reflected in the reports.

1.7.4 When audit alone is completed, it cannot be said to be completed in all respects till the connected review is also completed and the objections communicated to the divisions. (WMC/I/14-2-/129, dated 12-3-1980)

1.7.5 The arrears, internal as well as external, should be calculated in terms of man-days at the rates indicated in **Appendix/IV**.

1.7.6 ES-I Coordination Section will scrutinise and consolidate the arrear reports of IR Cell. The review reports should be submitted to the Sr.D.A.G (ES-I) and the Accountant General by 7th of each month.

1.7.7 The AAOs/SOs/Supervisors should maintain a systematic record of the arrears of their sections in order to keep a watch over the arrears and their clearance. Moreover, a suitable record of the various returns sent to ES-I Coordination Section etc., should be maintained either in the form of a register or by retaining an extract in a separate file, so that it may be readily available for reference at the time of preparation of the next report, as also to enable the AAOs/SOs/Supervisors to keep a watch over the state of work in their sections.

1.7.8 In submitting the arrear reports, the AAOs/SOs/Supervisors should personally satisfy themselves that no letters, Audit Notes and other documents received in the office up to 22nd of the preceding month and remaining un-disposed of on the last day of the month even though they are disposed of subsequently are excluded from them.

1.8 Upkeep of Note Books: Each Senior Auditor/Auditor should maintain a separate note book in the form indicated in **Annexure-IV** for noting therein all points which have to be kept in mind as requiring action to be taken thereon. (Para 4.2.12 of M.S.O.(Audit). Each entry made therein by the Sr.Ars/Ars should be initialled by the AAOs/SOs/Supervisors who should also see that points noted therein are cleared within a reasonable time. When final action has been taken against each item, the Sr.Auditors/Auditors and the AAO/SO/ Supervisor should set their initials in token of check. Similarly each AAO/SO/Supervisor should maintain a note book (Para 5.18 of Manual of General Procedure). It should be submitted to the Branch Officer on the alternate month commencing from 25th April.

1.9 Maintenance of Register of Statistics for calculating staff requirements and the standard rate for determining the staff.

1.9.1 Register of Statistics:- For keeping a record of statistics of work done in each month on which calculations of staff requirements will be based, each IR Cell should maintain a register in the proforma given in **Appendix-V**. The register should show the statistics of work done division-wise, category-wise, month by month for all months including March (Supplementary). Additional particulars such as the number of divisions rendering accounts, inward letters outward letters etc., which are required for the purpose of statistics to serve as fair index of work done should also be recorded month-wise and unit-wise, in this register. The register should be submitted to Branch Officer on 20th of every month.

1.9.2 Standards to be followed for calculating the staff requirements:- The standard rates for determining the staff requirements approved as per C&AG's circular no. 3-O&M/1990 No.4026-O&M/30-89-II dated 31-8-1990 are shown in **Appendix -VI**. Annual review of staff position based on the statistics is to be sent to the C&AG by the end of June each year. For this, all the sections in works

audit group should furnish their staff requirements duly supported by complete details to ES-I Coordination Section by 16th June. In case any section intends to propose staff on ad-hoc basis in respect of any item of work, this should be supported by complete details.

1.9.3 The Works Audit sections should send proposals to ES-I Coordination Section on the 16th of every month in case there has been any consistent upward trend in the work load necessitating increase of staff. Consolidated proposals shall be sent by ES-I Coordination Section, if necessary to the Administration section for getting extra staff on ad-hoc basis.

1.9.4 The work connected with items 1 to 3, 8, 10 to 15, 17 to 20 of the **Annexure** to Para 2.2.46 of M.S.O. (Audit) in so far as it relates to Works Audit Department, should be done by ES-I Coordination section.

(a) After selection and marking of the vouchers for audit by the Assistant Audit Officer/Section Officer/Supervisor, the Auditor should proceed with detailed audit as enumerated in paras 6.6 to 6.49 of WAD Manual, read with Para-B of C&AG's Circular dated 10-3-86 (Appendix 23 to MICA) duly recording audit enfacement as required in para 6.41 of WAD Manual. The Vouchers enclosed to the scheduled dockets are to be traced from dockets, the schedule of Works expenditure and from thereto classified Abstract and then to the monthly accounts. On completion of audit, the monthly accounts with vouchers should be submitted to the Section Head for review duly entering the category wise list of vouchers selected for audit in the Review Registers. The following Certificate: "Certified that all vouchers required to be audited have been audited and in respect of other vouchers not marked for audit prescribed checks have been exercised." should be recorded by the Auditor. The Section Head reviews the vouchers as per the prescribed percentages and returns the same to the Auditor. After completion of review, the Section Head will furnish the following certificate: "Certified that all the vouchers required to be reviewed have been reviewed and in respect of other vouchers not marked for review, prescribed checks have been exercised." After review, the accounts should be passed for the total disbursements less any amount under cash balance increased. This audit enfacement should be written in red ink by the Auditor and signed by the Section Head.

(Authority: C&AG's circular No: 31-Accounts/95, dt.15-5-85 Appendix 17 of M.I.C.A.)

In order to monitor the receipt and timely disposal of monthly accounts by the Auditors, a progress register of disposal of Accounts should be submitted every week (on Monday) to the Branch Officer indicating the receipt and disposal of the accounts in the preceding week.

(b) PROCESSING AND ISSUE OF AUDIT NOTES

A note of objection taken on voucher on any item in the Schedule or other account should be recorded in detail on a separate paper, which should be treated as Office copy of the Audit Note. Reference to the Rules should be made wherever necessary in the Audit Notes;. The Audit Notes should be signed by the Branch Officer and sent to the Divisional Officer for his explanation and replies. On its return with adequate replies, the Audit Notes must be disposed off; Any further information required or any items not cleared should be included in a rejoinder to be issued separately

to the Divisional Officer. Any items needing action during local audit of the divisions should be entered after Branch Officer's approval in the register of points for verification during next inspection.

A progress Register of Issue, Receipt and Disposal of Audit Notes should be maintained and submitted to the Branch Officer on 15th of each month, indicating the year-wise details of outstanding Audit Notes/Rejoinders.

(c) MAINTENANCE OF OBJECTION BOOKS AND OTHER REGISTERS

The objections raised on accounts and vouchers having money value should be registered in detail, before the Audit Notes are issued to the divisions concerned. As and when the wanting documents or the other information are received and the replies accepted, the objection should be cleared. The Objection Book should be closed monthly indicating the year-wise details of outstanding items and amounts. Whenever the objections are treated as settled/dropped, the same should be entered in the Adjustment Register, which should be closed every month along with the Objection Book.

Objections outstanding for over six months should be taken to the Register of Objections outstanding for over six months. A statement containing such items which are outstanding for over six months should be sent to the Government with a copy to the Chief Engineer every half year on 20th July and 20th January to expedite clearance *by IR Cell*.

(d) PREPARATION OF MATERIAL FOR LOCAL AUDIT AND SENDING THE VOUCHERS AND FILES TO FIELD PARTIES

One month before the date of inspection, the Sections should submit to the Sr. Dy. Accountant General (*ES –I*) through the Branch Officer, an office note with details of month wise expenditure from the month of last inspection as per the audited accounts and a list of major works and expenditure incurred there on up to date and the names of sub-divisions to enable Sr. Dy. Accountant General (*ES –I*) to select the sub-division for test check, two works for analysis and one month for A.A.check and another month for detailed check. In the list, information should be furnished about the years in which the works have been previously analysed and the sub-divisions previously test checked.

With a view to ensuring that the works\sub-divisions already selected are not selected again, and in order to enable the Sections to watch the despatch and receipt back of documents, each Auditor should maintain a marking register indicating the above items selected by the Sr. Dy. Accountant General (*ES –I*).

After the Sr. Dy. Accountant General (*ES –I*) selects and returns the material file, the *IR Cell* should proceed to collect the complete set of audited accounts with vouchers for detailed audit and AA check and also the paid cheques for the months marked from A&E office for sending the same to the Field parties. The lists of outstanding Audit Notes, money value objections and points marked for verification during local audit should also be sent along with last inspection report indicating the list of outstanding IR paras and material file approved by the Sr. Dy. Accountant General (*ES –I*)

(e) PURSUANCE OF SECTION “B” PARAS OF INSPECTION REPORTS

As soon as the edited inspection Report is despatched to the division/ offices, office copies along with draft Inspection Report and rough notes are received from I.R cell. On its receipt, the auditor should carefully go through the inspection Report to see whether any observations are made by the Sr. Dy. Accountant General at the time of approval which require separate action by **IR Cell**. The paras pertaining to previous Inspection Reports recommended for dropping and accepted by the Sr. Dy. Accountant General should be cleared from the Register for watching progress in settlement of Inspection Reports and paras included in the current Inspection Report taken to the Registers as fresh cases. Gist of each para of the Inspection Report issued along with money value, if any, should be noted in the Register as this will facilitate easy compilation of any information required at a future date. The Divisional Officers are expected to send replies to paras of inspection Reports within one month from the date of its receipt. In case replies are not received, the matter should be taken-up with them as well as higher authorities by issue of periodical reminders. As and when replies are received and when the objections are treated as settled /dropped, the same should be deleted from the register. The register should be closed every month for submission to Sr. Dy. Accountant General (**ES –I**) by 25th.

Section - A & B paras (representing major irregularities) are pursued by IR Cell.

(f) VISIT TO SECRETARIAT AND HEADS OF DEPARTMENTS

In Central Audit of Sanctions, Contracts and vouchers in case a point is noticed worth pursuing at higher levels, the Auditor will be deputed to Secretariat and offices of Heads of Departments to collect the wanting information or more details, personally. This will enable the Auditor to involve himself in the subject and also ensure early settlement or finalisation of the objection noticed in Central Audit.

(g) PROCESSING FACTUAL NOTES

When important points are noticed in Central Audit, Factual Notes should be processed and the same should be sent to IR Cell for proposing draft paras.

II (A) - SANCTIONS

As soon as sanctions in the form of Government Orders or proceedings of Heads of Departments/Superintending Engineers are received in the Section, they have to be examined intelligently as prescribed in Chapter-3 of W.A.D. Manual. After acceptance of sanctions by the Branch Officer/Sr. Deputy Accountant General/Accountant General, they may be kept in the files maintained separately for each scheme.

II (B) - PORTFOLIO FILES

As soon as the budget is passed by the Legislature, Budget booklets are received in ES-I Coordination/Report Section. The provisions made under the Major Head concerned for implementations of Plan Schemes may be identified and separate files opened for each Scheme. All the sanctions received, estimates, audit comments, statements of expenditure for each year and further

correspondence relating to Schemes may be filed in the Scheme files concerned. These files may be supplied to the field parties visiting division offices for local audit.

II(C) AUDIT OF ESTIMATES

Copies of Estimates sanctioned by the Chief Engineer/Superintending Engineer, technically and also the administrative sanctions issued by the Government/Chief Engineer/Superintending Engineer are received in the Section. The Estimates are to be examined to the extent possible with the S.S.Rs and also the administrative approvals. These are to be made use of to audit the contracts, both original and supplemental.

III (A) - AUDIT OF CONTRACTS

Contracts (agreements) concluded by Superintending Engineers are received in Central Audit. The audit of Contract documents is the primary responsibility of the Audit Officer. This, however, does not preclude the assistance of both Auditor and Asst. Audit Officer in the examination of Contracts and putting up the same for acceptance by the Audit Officer. The Section should communicate the irregularities/deficiencies noticed during scrutiny of contracts and pursue them to finality. Supplemental Agreements received should receive special attention to see whether the rates included therein were in accordance with the instructions on the subject.

IV. REGISTERS TO BE MAINTAINED BY THE AUDITOR

Each Auditor has to maintain the following Registers and submit the same with closings on the due dates to the Branch Officer as indicated below:

Purport Register, Despatch Register, Weekly Progress Register of audit of Accounts, Auditors Note Book, Objection Book, Adjustment Register, Register of Objections pending over six months, Register for watching progress in settlement of Inspection Reports, Register of points for verification in next local audit, Register for marking for local audit, Register of contracts agreements.

V. FILING

Filing of Sanction Orders, Estimates, Agreements, Audit Notes, etc. is an important item of work. All possible care should be taken to see that these records are properly filed and maintained so as to enable every officer of the section to locate them at any time without any difficulty. The Auditor should see that the records in his Unit are dusted regularly and kept neatly.

DRAFT OPERATIONAL HANDBOOK FOR CLERKS IN ES Wing

The following are the duties of clerks in Works Audit sections.

Letters are received from OE/ES-I COORDINATION/DAG etc. After the letters have been seen and marked by the Section Officer/Asst. Audit Officer, they will be made over to Clerks for distribution of letters among the Auditors in the Section. The Clerk is to verify the letters in the dak transit registers and acknowledge the same. He will then enter the letters in the respective purport registers for acknowledgement by the Auditors/Sr. Auditors or other members concerned. If any letter entered in the T.R., has not been sent along with it, the matter should at once be reported to the O.E. Section. The

T.R.s should be carefully checked to see that there are no missing items and any discrepancies should be immediately pointed out for further investigation. Leaving items unacknowledged and notings as “not received”, “enclosures not received”, “does not relate to this section”, “not found”, etc., in the T.R. should be avoided. The clerk has to transfer papers not relating to his section to other Sections promptly.

He will arrange the letters in respective files and see that they have been properly filed by the Group “D” official. He should also see that the papers contain the file orders of the section Officer/Asst.Audit Officer before they are filed. He will receive the accounts and dockets from “A&E” Office and hand over them to Auditors for audit. After completion of audit, he will arrange to return the same to “A&E” office along with Audit Certificate.

He will make out indents for stationery for signature of the Section Officer/Asst.Audit Officer and distribute the same as and when received. He will maintain the Casual Leave Account register and close the Attendance Register on the due dates as per the procedure laid down in M.G.P. He will assist the Section Officer/Asst.Audit Officer in consolidating the material furnished by the Auditors/Sr.Auditors for completion of Monthly Report/Quarterly Arrear Report. He will close, on dates, all general registers of the Section for submission to Audit Officer through the Section Officer/Asst.Audit Officer. He will do any other work which the Section Officer/Asst.Audit Officer of the Section may assign to him with the approval of Branch Officer.

[CASS (AU)-II/Co-Ordn./II92-93, dt. -8-92]

ANNEXURE I (referred to in para 1.2.6)

Register of Cases referred to ES-I Coordination for advice

Sl. No.	Date of Receipt	Section from which received	Brief subject and point at issue	Initials of receiving Auditor with date	Remarks of Works Co-ordination and final orders of Sr.DAG/AG	Date of return to Section/Branch Officer	Office Order number and date, if any, issued in the matter
1	2	3	4	5	6	7	8

ANNEXURE II (referred to in para 1.4.7)

Duties and Responsibilities of Sr.Audit Officers/Audit Officers in Works Audit

- Co-ordination and General Supervision.
- Framing of Audit Programme, deployment of audit parties and watching completion of audit/performance.
- Audit of Contract agreements.
- Quarterly review of Broad sheets maintained in A&E office particularly in respect of cash settlement suspense, P.W. Remittance and P.W.Cash balance.
- Review of pro-rata distribution of Estt. and Tools and plant charges, proposed by A&E Office.
- Scrutiny of the material processed by A.A.O. for Audit Report and submission to Group Officer.
- Preparation of quarterly review report on the working of the Department.
- Check of Administrative Accounts of Public Works Department.
- Review of port-folio file for schemes- Central, Centrally sponsored and State Plan.
- Co-ordination with DP Cell for processing factual statements.
- Other items included in the quantum of audit and areas of responsibility approved by C & AG.
- Any other item of work allotted from time to time.

Assistant Audit Officers/Section Officers/Supervisors

- Overall supervision and co-ordination of work of audit sections.
- Selection of vouchers for audit and review.
- General scrutiny of Schedule of Rates. Audit of schedule of monthly settlement with treasuries.
- Audit of schedule of Miscellaneous Work Advances.
- Audit of final bills of contractors for amounts above Rs.50,000/-.
- Review of vouchers audited by Sr.Auditors/Auditors.
- Pass order on monthly accounts.
- Check of annual certificate of balances.
- Audit of all sanctions to expenditure.
- Disposal of references seeking clarification and allied correspondence.
- Review of files containing objection memos etc., issued to Departmental Officers.
- Processing material for Audit Report.
- Quarterly review of the system of receipt of vouchers through A.C.Section and their transmission to P.W.Division for adjustment.
- Quarterly review of the postings into and closing of classified and consolidated abstracts relating to P.W.Major Heads.

- Check of consolidation of statistics.
- General check of objection book and approving the closing.
- Closing of C.R.s, monthly arrear report, quarterly arrear report etc.
- Any other item included in the quantum of audit and areas of responsibility approved by C & A.G.

- Any other item of work as may be assigned from time to time.

Senior Auditors/Auditors

- Audit of schedule of revenue realised and refunds of revenue.
- Audit of schedule of works expenditure.
- Audit of schedule of purchases.
- Audit of stock accounts and reserve limit of stock.
 - Audit of schedule of deposits.
 - Audit of schedule of deposit works.
 - Audit of the account of interest bearing securities.
 - Audit of the account of receipt/issue of tools and plant.
 - Audit of schedule of cash settlement suspense.
 - Audit of schedule of remittances.
 - Audit of contractors ledgers
 - Audit of schedule dockets including those for percentage recoveries.
 - Audit of first and final bills of contractors.
 - Audit of final bills of contractors for amounts up to Rs.50,000/-.
 - Audit of running account bills of contractors.
 - Audit of bills of suppliers, bills in respect of purchases through DGS&D and Railway credit notes.
 - Audit of land receipts.
 - Audit of completion reports.
 - Audit of land acquisition vouchers.
 - Audit of transfer entries.
- Recording of pass order on monthly account.
- Listing of vouchers for selection of audit/review.
 - Audit of consolidated contingent bills.
 - Audit of other miscellaneous vouchers not specifically listed.
 - Any other routine work entrusted by AAO/SO/Supervisor.
- Maintenance of port-folio files for schemes-Central, Centrally sponsored and State plan.
 - Issue and pursuance of objection memos with departmental officers.
 - Issue and pursuance of objection memos with works accounting sections.
 - Consolidation of statistics for calculation of staff requirements.

- Maintenance of objection book and closing.
- Other items included in the quantum of audit areas of responsibilities as approved by C&AG.
- Any other item entrusted by Sr.AO/AO

ANNEXURE III (referred to in para 1.4.8)

DRAFT OPERATIONAL HANDBOOK FOR “AUDITORS” (INCLUDING SENIOR AUDITORS) IN INTEGRATED AUDIT UNITS (WORKS)

The Auditor is primarily responsible for all “Audit” work in connection with the Accounts of Divisions allotted to him/her. He/she will audit the monthly accounts and periodical returns received from these Divisions and deal with all returns, statements and correspondence connected with audit. [Chapter 2 of Section IV of M.S.O (Audit)]

The salient features of the responsibilities of Auditors in the Integrated Audit Units(Works) are as follows:

- Audit of Divisional accounts and vouchers as per the procedure and percentages prescribed.
- Processing and issue of Audit Notes.
- Maintenance of Objection-Books and other Registers.
- Preparation of Material for Local Audit and sending the vouchers and Files to the Field Parties.
- Pursuance of Section-B paras of Inspection Reports.
- Visits to Secretariat and Heads of Departments Offices to collect more details in respect of points noticed in Central Audit.
- Processing factual notes based on important points noticed in Central Audit for being sent to IR Cell/ ~~D.P.Cell.~~

(Office Order No.1, Dt. 11-4-1990 of ES-I Coordination/A/15-516/88-89)

ANNEXURE IV

Form of Note Book (referred to in para 1.8 of the Manual)

Item No.	Reference to letter or document	Action to be taken (Note: each should be made concisely but containing all points)	Initials of the Section Head	Action taken Reference to entry in Accounts or letter number and date etc.	Initials of Auditor/ Sr.Auditor	Initials of Section Head
1	2	3	4	5	6	7

APPENDIX 1

(see paragraph 1.2.4 of the Manual)

A: Functions of various sections under Works Audit

WORKS AUDIT

- i) Comprehensive audit of all sanctions (in consultation with sanction Audit cell of efficiency-cum-performance audit wing where necessary)
- ii) Building up of portfolio files for various schemes - externally aided projects, central plan schemes, centrally sponsored schemes and state plan schemes.
- iii) Central audit of divisional monthly accounts, schedule dockets, vouchers etc. received from AG(A&E) office.
- iv) Issue and pursuance of Audit notes.
- v) Scrutiny of files in Secretariat department or offices of Heads of Department as a follow-up action to obtain additional information found necessary during audit of sanctions, accounts, vouchers etc.
- vi) Check of compiled accounts in A&E office.
- vii) Preparation of briefs for local audit parties, besides furnishing other material such as months and sub-divisions selected for test check, works to be analysed in detail, and forwarding of vouchers and other documents.
- vii) Issue of audit certificates in respect of central, centrally sponsored and state plan schemes as well as externally aided projects.
- ix) Pursuance of local audit reports.
- x) Furnishing of processed material on potential cases noticed in central audit to the draft paragraph cell.
- xi) Maintenance of objection books and furnishing of prescribed periodical returns on outstanding objections to Heads of Departments, and other authorities.
- xii) Maintenance/furnishing of prescribed registers/periodical returns.

Inspection Report Cell - IR CELL

- i) Collection of information relating to auditee units.
- ii) Planning, sequencing and programming of local audits.
- iii) Arrangements for manning and supervision of local audit parties.
- iv) Vetting and issuance of local audit reports.
- v) Forwarding copies of Part-II Section "A" paragraphs or local audit reports to the draft paragraph cell for further pursuance/processing.

Draft Paragraph Cell(DP cell)

- i) study of earlier reviews, draft paragraphs and recommendations of Public Accounts Committee (including follow-up action taken thereon and preparation of briefs for ECPA wing.

ii) pursuance of paragraphs included in Part-II Section “A” of local audit reports.
iii) processing (including field work for wanting details) drafting and finalisation of draft paragraphs for Audit Reports.

iv) preparation of omnibus draft paragraphs for Audit Reports.

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v) Association with audit committee meetings for settlement of paras outstanding in local audit reports.

Works Co-ordination

i) General P.W.Audit procedures, amendments to P.W.Account code and Departmental codes.

ii) maintenance of Manual of Works Audit Department.

iii) scrutiny of cases referred to by sections.

iv) organization of the Works Audit Department, distribution of work among the sections and the general working of the sections.

v) assessment of staff requirements of the Works Audit Department and posting of staff to various sections, inspection parties etc.

vi) review of monthly arrear reports and calendar of returns of WORKS AUDIT sections and furnishing of material to Works Co-ordination for the quarterly arrear report due to C&AG.

vii) review of schedule of rates

viii) review of objection books and other registers of WORKS AUDIT sections.

ix) maintenance of register of defalcations and theft.

x) compilation of material relating to audit portion for Annual Review of working of PW divisions.

xi) propriety audit aspects relating to the matters at Sl.Nos i to iii, vii, viii, x to xx and xxii of ANNEXURE to paragraph 2.46 of the MSO(Audit)

APPENDIX II

(Para 1.6.1 of this Manual)

CALENDAR OF RETURNS

Sl.No.	Name of the Return	To Whom due	From Whom due	When due	Authority
I.	SECTION-1 RETURNS DUE TO OUTSIDE AUTHORITIES				
	A. Annual				
1.	Integrated Annual Audit Plan	C & AG(Eastern Region Wing)	ES-I Coordination	15 th January	Hqrs. Circular No.839/ER/Coord/2013-14/187-2013 dt:23.7.13 and para 5.2.1 of the manual(Part – III Works Audit)
2.	Annual Performance Assessment Report (Ranking)	C&AG (ER Wing)	ES-I Coordination	15 th August	Headquarters letter no. 823/Coord/ER/180-2014 dated 9.9.2014
3.	Performance Report of IA & AD	C&AG (ER Wing)	ES-I Coordination	As and when called for Headquarters	Headquarters letter no. 839/ER/Coord/187-2013 dated 23.7.2013 read with letter no. Headquarters letter no. 823/Coord/ER/180-2014 dated 9.9.2014
	B. Half Yearly				
1.	Half yearly Report of progress of Audit Plan	C&AG (ER Wing)	ES-I Coordination	5 th April & 5 th October	Headquarters letter no. 823/Coord/ER/180-2014 dated 9.9.2014
	C. Quarterly				
1.	Quarterly MIS return	C&AG	ES-I Coordination	15 th April 15 th July 15 th October 15 th January	Headquarters letter no. 839/ER/Coord/187-2013 dated 23.7.2013 read with letter no.

					Headquarters letter no. 823/Coord/ER/180-2014 dated 9.9.2014
	D. Monthly				
1.	Progress in Audit of Performance Audits/Thematic Audits	C&AG	ES-I Coordination	10 th of every month	Headquarters letter no. 839/ER/Coord/187-2013 dated 23.7.2013 read with letter no. Headquarters letter no. 823/Coord/ER/180-2014 dated 9.9.2014
	Section-II Returns due to other sections and branch officer (with in the office)				
	A. Annual				
1.	Statistics for staff requirements	Admn. Section	ES-I Coordination	30th June	1.9.3of Manual (Part – I)
2.	Material for inclusion in the Audit Report (Cases of Losses)	Reports	IR Cell	31 st August	Para 4.8 (Annexure – VI) of Manual(Part III –works audit)
3.	Expenditure of new service contingency fund.	Reports	IR Cell	31 st August	Para 4.8 (Annexure – VI) of Manual(Part III –works audit)
4.	Material for annual review on the working of P.W. Divisions	ES-I Coordination	CA Sections	25th August	HQrs.Lr.No.23 /TA.I/1984/134 3/TAI/190-83 dated 20-10-84.
5.	Review Report on the Proforma Accounts and financial working of workshops	ES-I Coordination	CA Section	1st September	Para 3.8.3.2 of the Manual (Part-III – works audit).
6.	Opening of New Objection Book	ES-I Coordination	CA Section/ IR Cell	15th September	Para 4.7.5 of the Manual (Part-III – works audit).
7.	Certificate of Physical	O.E.	All Sections	30th September	Para 9.3 of M.G.P

	Verification of Codes & Manual				
8.	Pending I.Rs	Reports	CA Section/ IR Cell	15th October	Para 4.8 of the Manual (Part-III –works audit).
9.	Cases of mis-appropriation	Report Section	All Sections	4th October	Para 4.8 of the Manual (Part-III –works audit).
10.	Annual indent of Forms & Stationery	O.E.	All Sections	1st November	Para 10.28 of M.G.P
11.	Forecast of Tour Programmes	A.G	ES-I Coordination	10th February	Para 5.3.2 of the Manual (Part-III – works audit).
	B. Half yearly				
1.	Register of Arbitration Awards	ES-I Coordination	CA Section/ IR Cell	15th June/ 15th December	Para 3.3.10.5 of the Manual (Part-III – works audit).
2.	Report on review of Arbitration Awards	D.A.G.	ES-I Coordination	15th June/ 15th December	-do-
3.	Half-yearly list of objections	Reports	CA Section/ IR Cell	1st July/ 1st January	Para 4.6.7.1 of the Manual (Part-III – works audit).
	C. Quarterly				
1.	Material for the progressive use of Hindi for official work.	Hindi Cell	ES-I Coordination	10th of April, July , October & January	A.G's Orders on File No.21-5/85-86.
2.	Register of sanctions of permanent nature	B.O.	CA Sections	-do-	Para 3.1.1 of the Manual (Part-II –works audit)..
3..	Register of delegation of powers.	ES-I Coordination	CA Sections	15th of April, July, October & January	Para 3.1.17 of the Manual (Part-II –works audit).
4.	Register of Good & Bad Work.	D.A.G.	All Sections	25th of April, July, October & January.	Circular Admn/Confdl/ 8-c-18/70-71/12 dated 05-02-71.
5.	Register of insufficient and irregular sanctions	ES-I Coordination	CA Sections	-do-	Para 3.1.8 of the Manual (Part-III –

					works audit).
6..	Report on the review of registers of insufficient and irregular sanctions	D.A.G.	ES-I Coordination	10th of May, August, November & February.	-do-
7.	Duty list Register	D.A.G.	Audit Sections	5th of June, September, December & March	Para 5.43 of M.G.P
8.	Information relating to vouchers audited in a quarter	ES-I Coordination	CA Sections	5th of April, July, October, January	Para 2.4.6 of the Manual (Part-III – works audit)
	(D) Bi-Monthly				
1.	Auditor's Note Book	B.O.	All Sections	25th of April, June, August, October, December & February.	Para 1.8 of this Manual (Part-I)
2.	AAO/SO's Note Book	B.O.	All Sections	-do-	-do-
	(E) Monthly				
1.	Statement of Staff Position	ES-I Coordination	IR Cell/CA Sections	1 st	Para 1.8 of E.B Manual
2.	AAO/SO's Note Book suggesting amendments to Codes/Manuals	B.O.	All Sections	3 rd	Para 1.4.3 (j) of this Manual (Part –I).
3.	Calendar of Returns	D.A.G.	All Sections	3 rd	Para 1.6.2 of this Manual (Part –I).1
4.	Monthly Arrear Report	B.O.	All Sections	3 rd	Para 1.7.1 of this Manual (Part –I).
5.	Registers of Project estimates	B.O	All Sections	3 rd	Para 1.9.5 of the Manual
6.	Register of Delegation of Powers	B.O.	CA Sections	5 th	-do-
7.	Requisition for Accounts & Vouchers	Works Accounts Sections of AG(A&E)	All CA Sections	5 th	Para 2.4.1 of the Manual (Part-III – works audit)
8.	Register of insufficient & irregular sanctions	B.O.	CA Sections	5 th	Para 3.1.18 of the Manual (Part-III – works audit)
9.	Register to watch works analysed,	B.O.	CA Sections	5 th	Para 5.3.9 of the Manual

	despatch of documents etc.				(Part-III – works audit)
10.	Progress Report on supply of vouchers	ES-I Coordination	CA Sections	5 th	Para 2.4.6 of this Manual
11.	Register of points marked for verification during next local audit	B.O	All Sections	10 th	Para 2.8.4 of the Manual (Part-III – works audit)
12.	Duty List	B.O.	All Sections	5 th	Para 5.43 of MGP.
13.	Register of Late Attendance	B.O.	All Sections	5 th	Para 2.10 of MGP.
14.	Register of Important Cases	B.O.	ES-I Coordination	5 th	Para 1.2.6 of this Manual
15.	Progress report on disposal of I.T.A. Reports	B.O.	ES-I Coordination	5 th	Para 1.19 of ITA Manual
16.	Weekly tour diaries	B.O.	ES-I Coordination	5 th	Para 5.10.8 (iv) of the Manual (Part-III – works audit)
17.	Monthly arrear report to A.G. (on works group)	A.G.	ES-I Coordination	7 th	Para 1.7.6 of this Manual.
18.	Register on review of arbitration awards	B.O.	CA Sections	10 th	Para 3.3.10.5 of the Manual (Part-III – works audit)
19.	Register of defalcations & Losses	B.O.	Audit Sections	10 th	Para 3.1.12 of the Manual (Part-III – works audit)
20.	Register of remissions to revenue & abandonment of claims of revenue	B.O.	Audit Sections	10 th	Para 3.1.10 of the Manual (Part-III – works audit)
21.	Register of Objection waived	B.O.	Audit Sections	10 th	Para 4.7.3 of the Manual (Part-III – works audit)
22.	Register of Points for Inspection	B.O.	Audit Sections	5 th	Para 2.8.4 of the Manual (Part-III – works audit)
23.	Indents for Forms & Stationery.	O.E.	All Sections	10 th	Para 10.8 of MGP.
24.	Review of Register to watch works	ES-I	Audit Sections	10 th	Para 5.3.12 of the Manual

	analysed, despatched of documents etc.	Coordination			(Part-III – works audit)
25.	Register of non-receipt of vouchers from AG(A&E)	B.O.	CA Sections	10 th	ITA/2-6/99-00/T.R. 458-466 dated 28-1-2000
26.	Consolidated Progress Report on the supply of vouchers for Central Audit	DAG.	ES-I Coordination	10 th	Para 2.4.6 6 of the Manual (Part-III – works audit)
27.	Register to watch the receipt of Quarterly reports of arbitration awards.	D.A.G.	ES-I Coordination	10 th	Para 3.3.10.5 of the Manual (Part-III – works audit)
28.	Monthly return of closed Divisions.	D.A.G.	ES-I Coordination	15 th	Para 3.1.5 of WAD Manual.
29.	Monthly closing of Objection Book.	B.O.	CA/IR Sections	15 th	Para 4.6.6 of the Manual (Part-III – works audit)
30.	Material for computerisation regarding IR Paras settled during the month by Audit Sections/Audit Committee	ES-I Coordination	Audit Sections	15 th	Para 1.3.3.3 of this Manual
31.	Register of objections pending over six months	B.O	Audit Sections	15 th	Para 1.9.5 of this Manual
32.	Register of Codes & Manuals.	B.O.	All Sections	15 th	Para 4.10 of M.G.P.
33.	Register for watching the progress in settlement of I.Rs.	D.A.G.	Audit Sections	25 th	Para 5.12.4 of the Manual (Part-III – works audit)
34.	Progress Register of Audit Notes	B.O.	CA Sections	15 th	Para 4.5 of the Manual (Part-III – works audit)
35.	Progress Register of Technical Sanctions.	B.O.	Audit Sections	15 th	Para 3.1.3(ii) of the Manual (Part-III – works audit)
36.	Despatch Register	B.O.	All Sections	18 th	Para 3.61 of MGP.

37.	Acquittance Rolls.	Bills Section	All Sections	18 th	Para 14.3 of Manual of Establishment
38.	Register of Statistics	B.O.	CA Sections	20 th	Para 1.9.1 of this Manual.
39.	Statement of events of staff	Bills Sections	All Sections	22 nd	Para 14.3 of Manual of Establishment.
40.	Register of Good & Bad Work.	B.O.	All Sections	25 th	Admn/Confdl/ 8-c/18/70-71/12 dated 05-02-.1971.
41.	Register to watch issue of intimation to A&E regarding audit by Audit Sections.	B.O.	ES-I Coordination	25 th	A.G's Orders on File 4-5/85-86.
42.	Register of programme for central audit	B.O	All Sections	25 th	Para 2.4.2 of the Manual (Part-III – works audit)
	F. Fortnightly				
1.	Register of pending cases	B.O.	All Sections	1 st & 16 th	Para 3.63 of MGP.
2.	Progress Register to watch clearance of Inspection Reports.	D.A.G.	ES-I Coordination	3 rd & 17 th	Para 5.12.13 of the Manual (Part-III – works audit)
3.	Control Machinery to keep watch on pending court cases.	DAG/ AG.	ES-I Coordination	16 th & 30 th	Hqrs.Circular No.II/O&M Div. 93 No. 214 O&M/36.92 dated 14-05-93.
4.	Register of contracts/ agreements	B.O	All Sections	1 st and 16 th	Para 1.9.5 of this Manual
	(G) Weekly				
1.	G.Os Register	B.O.	All Sections	Monday	Para 3.70 of MGP.
2.	D.O. Letters Purport Register	B.O.	-do-	-do-	-do-
3.	Telegrams Register	B.O.	-do-	-do-	-do-
4.	Purport Register of All Units	B.O.	-do-	-do-	-do-
5.	Register of Letters from C&AG	B.O.	-do-	-do-	Para 3.75 of MGP.
6.	Urgent Letters Purport Register	B.O.	-do-	-do-	-do-

7.	Confidential Register	B.O.	ES-I Coordination	-do-	Para 3.70 of MGP
8.	Progress register of disposal of monthly accounts	B.O	All Sections	- do -	Para 1.9.5 of this Manual
9.	Calendar of Returns	B.O.	All Sections	Tuesday	Para 1.6.2 of this Manual
	SECTION –III: RETURNS DUE FROM OUTSIDE OFFICES.				
	(A): Annual				
1.	Copies of Standard schedule of rates	ES-I Coordination	All S.Es	1 st June	Government Orders.
2.	Proforma accounts of PW workshops	CA Sections	AG(A&E)	10 th July	Para 3.8.3.2(ii) of Part III of (Works Audit).
	(B): Quarterly				
1.	Quarterly return of arbitration awards	ES-I Coordination	All CEs.	10 th of April, July, October & January.	Para 3.3.10.4 of Part III of the (Works Audit).
	(C): Monthly				
1.	Monthly return of closed Divisions	ES-I Coordination	Works Accounts Sections of AG(A&E) Office.	10 th	Para 2.6(ii) (d) of Works Accounts Manual.

APPENDIX III

MONTHLY ARREAR REPORT

(Referred to in Para 1.7.1 of this Manual).

ES-I/CA Section.

REPORT OF THE STATE OF WORK IN THE SECTION FOR THE MONTH OF

1. Returns due but not issued.

Name of return	Due Date	Explanation of delay & probable date	Arrears in terms of Manday.

2(a):- POSITION OF LETTERS/AGREEMENTS

		LETTERS	AGREEMENTS
	Opening Balance		
	Receipts		
	Total		
	Disposal		
	Closing Balance		
More than 1month old			
More than 15days			
Less than 15 days			Mds.....

2(b) Detailed of outstanding letters for more than 1 month.

Sl.No.	Purport No.	From Whom Received	Subject	Explanation for delay & action for disposal.

3. Other important Arrears.

	Particulars	Details of Arrears		Explanation & Proposed action for early clearance		Mandays
(i)	<u>AUDIT</u>					
	a) Audit Accounts			 Mds.
	b) ReviewAccounts			 Mds.
	c) No. of accounts due from AG(A&E) Office. (Vide statement No.I) Accounts			 Mds.
	d) Outstanding Audit Notes Re-joinders. (Vide Statement No.II)			A.Ns..... Rejoinders....	Mds.
(ii)	No. of Inspection Reports & No. of Paragraphs outstandings for more than 6 months. (Vide Statements.III)			<u>I.Rs.</u>	<u>Paras.</u>Mds.
(iii)	No.of items & amount under objection for more than 6 months (Vide Statement No.IV)	Items	Amount Rs:		Mds.
(iv)	Filling of Vouchers					
(v)	Any arrears in respect of items not mentioned above.					

		SUBJECT	THIS MONTH		LAST MONTH	
			INT.	EXT.	INT.	EXT.
1.	Correspondence					
2.	Audit					
3.	Non-receipt of accounts.					
4.	Money value objections					
5.	Audit Notes/Rejoinders.					
6.	I.Rs.					
	Total:-					

1. Certified that (1) the state of work as shown in the report is the best of my knowledge and behalf correct and complete (2) the all other items of work required to be done by the section during the month but not shown in the report were complete on due date and facts were dully recorded in each case in the Calendar of return and other prescribed register of the section and (3) that with the exception of the arrears detailed above work of section is up-to-date.

Dated

Signature of A.A.O

I have satisfied myself generally that this report is completed and accurate in respect of all items of work for which section is responsible. I have scrutinised the explanatory and other remark particulars and make the following comments.

Signature of the Audit Officer

Remarks of Dy.Accountant General (ES-I)

Remarks of the Principal Accountant General

APPENDIX IV

(See Paragraph 1.7.5)

Common standards for assessing arrears both internal and external

	Items of Work	Standards	Authority
INTERNAL ARREARS			
1.	Arrears in audit		
	a) Detailed audit of public works schedules & schedule dockets	375 Minutes per divisional account.	C&AG's Circular No.3-O&M/1990 No.4026-O&M/30-89 II dated 31-8-90.
	b) Audit of running account bills including first and final bills involving check with contract agreements	45 Minutes per voucher	-do-
	c) Audit of Running account bills including first and final bills not involving check with contract agreements	15 Minutes per voucher	-do-
	d) Work bills (Misc. Vouchers)	3 Minutes per voucher	-do-
	e) Audit of land acquisition vrs.	5 Minutes per voucher	-do-
2.	Pending Test Audit Report/Director of Inspection	10 Mandays where the entire report is outstanding (i.e no first reply has been sent) 5 Mandays in other cases	TM-I/IV/14-171/82-83 dt.22-6-82 (O/O No.46)
3.	Correspondence (Inward)	1 Manday for 15 letters more than one month old.	-do-
4.	I) Unit registers like Purport & despatch etc.	Half an hour per unit per register	-do-
	II) Common registers	15 Minutes per register to a minimum of 10 hrs per section	-do-
5.	Inspection reports	12 Mandays for each report	O.O.No.ITA/I dt: 20-10-1969.
6.	Objection book/Six monthly register	2 Hours per book per month	Audit (Co-ordn)IV/21-5/Genl/85-86/14 dt.10-10-1985 of AG Audit - I.

Note:- Calculation of mandays may be based on 8 Working hours per day., 158.33 man hours per month and 1900 man hours per annum (No. 928- O&M/39-86 dated 08-11-1990 of C&AG).

EXTERNAL ARREARS			
1.	Audit Notes.	One hour per original audit note and half an hour per rejoinder.	O.O.No.ITA/35 dt.03-07-1969.
2.	Inspection Reports	12 Minutes for each paragraph or sub paragraph	53-Admn.I/55-58 dated 07-01-1959 & DO.No-5-SO(SRs)/76 dt: 09-02-1976 of Hqrs

			office.
3.	Misc. objections and want of vouchers	15 Minutes per item.	-do-
4.	Audit due but vouchers not produced by A&E Office.	Should be indicated in the arrear report without mandays.	General Circular No.75-Accounts 1985 No.2249-Accounts II/109-85 dt: 05-12-1985 of C&AG (Appendix 22 of MICA)

APPENDIX V

(See Paragraph 1.9.1 of this Manual)

Name of Section:

STATISTICAL DATA & CALCULATIONS SHEET FOR IAU(WORKS) AUDIT - 206400

Sl.No.	Items of Work.	Activity Code	No. of Vouchers received.
(1)	(2)	(3)	(4)
I.	Post Audit of Vouchers selected for Audit.		
a)	Running account bills including first and final bills not involving check with contract Agreement.		
	First & Final Bills	206401	
	Running Account Bills up to Rs.25,000/-.	206402	
	Running Accounts for Rs. 25,000/- & above but less than Rs. 1 lakh.	206403	
	Running Account Bills for Rs. 1 lakh and over	206404	
	Final Accounts Bills up to Rs. 25,000/-.	206405	
	Final Account Bills above Rs. 25,000/-.	206406	
b)	<u>Running account bills including first & final bills involving check with contract Agreements.</u>		
	First & Final Bills	206407	
	Running Account Bills upto Rs. 25,000/-.	206408	
	Running Account Bills for Rs.25,000/- & above but less than Rs. 1 lakh.	206409	
	Running Account Bills for Rs. 1 lakh & above.	206410	
	Final Bills up to Rs, 50,000/-.	206411	
c)	Supply bills up to Rs. 10,000/-	206412	
	Supply bills up to Rs.10,000/- to Rs.50,000/-	206413	
	Supply bills up to More than Rs.50,000/-.	206414	
	HAND RECEIPTS		
	up to Rs.5,000/-.	206415	
	Above Rs.5,000/- & up to Rs.50,000/-	206416	

	Above Rs.50,000/-	206417	
	Transfer Entries	206418	
d)	AUDIT OF WORKCHARGED		
	Establishment Vouchers.	206419	
	T.A. Bills	206420	
	Medical Bills	206421	
	Land Acquisition Vouchers.	206424	

II.	AUDIT OF SCHEDULES & SCHEDULE DOCKETS		
	a) Detailed check of Monthly Accounts	206422	
	b) Detailed Check of March (Supplementary) & March (Final) Accounts.	206423	
III.	Audit of Completion Report.	206430	

Dated:-

**Audit Officer.
IR Cell**

APPENDIX VI

(See Paragraph 1.9.2)

Norms to be followed by IAU(Works) Sections in Calculating Staff Strength.

	Item of Work	Norm	Authority
1)	Detailed audit of Public Work Schedules & Schedules & Schedule Dockets	375 Minutes per Divisional Account.	C&AG's Circular No.3-O&M/1990 No.4026-O&M/30-89-II dated:31-08-90.
2)	Audit of Running Account Bills including First & Final Bills involving check with Contract Agreements.	45 Minutes per voucher.	-do-
3)	Audit of Running Account Bills including First & Final bills not involving check with Contract Agreements.	15 Minutes per voucher.	-do-
4)	Work Bills (Misc. Vouchers)	3 Minutes per voucher.	-do-
5)	Audit of Land Acquisition	5 Minutes per voucher.	-do-
6)	Quarterly Review of Transfer Entry Books.	1 day per section	-do-
7)	Quarterly Review of Register of Periodical Adjustment.	1 day per section.	-do-
8)	Quarterly Review of Broad Sheets maintained in Compilation Sections.	1 day per section.	-do-

CHAPTER - 2

AUDIT PROCEDURE

2.1 The spirit of Audit and of interpretation

The audit of works transactions should be conducted in accordance with the general rules and principles as laid down in Sections II to IV of the M.S.O. (Audit) and (ii) the special procedure applicable to each class of transactions as set out in the relevant chapters of the MSO (Audit) and with due regard to the relevant rules in the Account code and the Financial Rules of the Union and the State Governments.

2.1.1 The primary functions of audit are to secure the substantial correctness of accounts and regularity and propriety of individual financial transactions. While, therefore, financial rules and orders must be observed mere rigid and literal enforcement of such rules and orders will result in un-intelligent audit. As a general rule, instead of undue insistence on trifling errors and technical irregularities should be avoided and more time and attention devoted to investigation of really important and substantial irregularities. [Also see paras 7.1.1 and 7.1.2 of the MSO(Audit).]

2.2 Procedure for Audit Scrutiny

2.2.1 In the scrutiny of accounts and vouchers the following procedure should be observed. The Auditor must apply the rules strictly. Once the detailed audit has been carried out strictly and every infraction of rule brought to light, it will be for the officer to exercise the discretion vested in him by Government as laid down in para 7.1.13 of MSO (Audit) and to determine the cases in which the objections which might be raised under the strict letter of the rules can be waived.

2.2.2 If the objection is of such a nature that it cannot be waived under the provisions of MSO (Audit) it will be the duty of the officer to press it firmly but in courteous language distinctly quoting the rules or orders infringed. The more important the objections, the more necessary it is to couch it in language courteous and impersonal. In carrying out the audit, the Audit Officer should remember that exceptional cases may arise in which it is desirable to relax formalities which are followed strictly in ordinary cases; but the circumstances must be really exceptional before rules are relaxed and even then the relaxation must be of formalities rather than of essentials.

2.2.3 If any point for simplification of initial accounts arises in the course of audit, it should be brought to the notice of the Sr.DAG for being taken up with the Chief Engineer, Public Works Department concerned or the Government, as the case may be and taken up later with the C&AG, if necessary.

2.2.4 Uniformity in procedures

Care should be taken to preserve uniformity in procedures followed for conduct of audit by all the Audit Units (works). Every Auditor is responsible to see that the processes of check, audit entry and disposal of accounts documents, vouchers and other papers are the same in every

detail as those carried out by the Auditors. Assistant Audit Officers/Section Officers/Supervisors are required to maintain a close watch over all their subordinates on this point, and are required to enquire frequently into the practice of these sections so as to ensure uniformity in the application of modes of check and record throughout the *IR Cell*.

2.3 Receipt of Monthly Accounts by A.G (A&E) consequent on reorganisation of Audit Officers into Audit and Accounts

2.3.1 Submission of Monthly Accounts

Monthly account is an abstract of entire receipts and disbursement of the month, as detailed in the various schedules and registers, depicting the opening and closing balances. The monthly account should be submitted by Divisional Officers/PAOs duly supported by the documents mentioned in para 567 of APWA Code read with Article 230 of Account Code Vol.III in PWA Form 42 together with vouchers so as to reach the Accountant General (A&E) between 7th and 10th of the month following that to which the monthly account relates. These vouchers would be retained by the Accountant General (A&E) after completion and made available to Accountant General (Audit). After the audit is completed by the Accountant General (Audit), the vouchers would be finally kept with the Accountant General (A&E).

2.3.2 March (Final) & March supplemental

March (Final) account is meant only for carrying out adjustments and so no original transactions already included in the earlier months, should appear in this accounts under any head. No transaction pertaining to other Govt or to Railways/Defence/P&T departments should be included.

2.3.3 The supplementary accounts

These accounts should be of the simplest character and should set forth only transactions envisaged in Art.199 of Account Code Vol.III and paras 575 and 576 of APWA Code. They should be submitted to A&E office by the Divisional officer/PAOs in a complete shape on or before the 20th June of each year or any other date fixed by AG (A&E) office.

Note: - They should not include any inter government transactions or transactions relating to cash settlement suspense (para 2.5 of Manual of Works Accounts Department).

2.3.4 Expenditure under plan scheme for which central assistance is received from Government of India

The audit certificate in respect of plan schemes (Central plan, Centrally sponsored schemes and State plan schemes), World Bank assisted projects etc., should be issued by this office. The ES-I Coordination section will furnish the statement of expenditure duly reconciled to the Works Audit co-ordination section for audit and certification (CAG's Lr.No.561-TAI/199-83/KW dt.16.5.84) (para 2.15 of Manual of Works Accounts Department).

2.4 Programme of Audit

2.4.1. Monthly accounts, schedule dockets and vouchers are received from the Divisions/ PAOs in AG (A&E) office after exercising preliminary checks, and postings in registers, the works accounts section of AG (A&E) office will pass on the accounts along with dockets and vouchers to Works Audit sections for conducting Central Audit whenever required (CAG Circular No.7-TAI/84.No.224-74I/199-83 dt.17.2.84 Appendix R of MICA). Requisition should be sent to Works Accounts Section for supply of these documents for audit by 5th of each month.

(Vide also para 3.1.3 of Manual of Works Accounts Department of AG (A&E))

2.4.2 The work of audit should be taken immediately on receipt of monthly account form the Works Accounts Sections on or about 10th of the month succeeding to which it relates. The probable dates on which the audit and review of the accounts will be completed by all concerned should be fixed and get approved by the Branch Officer. A separate register regarding programme of audit should be opened for this purpose as per the proforma given in the **Annexure-I to this Chapter** and submitted to the Branch Officer on 25th of every month.

2.4.3 The audit of vouchers need not wait for completion of postings in Works registers. In case postings are not done or are lagging behind, the same may be brought to the notice of AG(A&E) as per procedure prescribed in MICA(Circular No.33-TA-I/1984 No.1343-TA-I/199-83-KW dated 20.10.84 of CAG).

2.4.4 From 1st July 1994 separated Pay and Accounts system was introduced in Irrigation Department. Under this system, District Pay and Accounts Officers render consolidated monthly accounts in respect of the divisions under their payment control. As even under the revised set up, Pay and Accounts Officers are required (GO.Ms.No.20 dated 12-4-19994) to submit the vouchers and the necessary schedule dockets along with monthly accounts to the AG(A&E) it was ordered by the C&AG that the existing system of conducting Central Audit in the audit office shall continue (CAG's letter No.428-Audit/MOM/232-94 dated 18-8-94).

2.4.5 From 1-4-2001 onwards PAOs work system was introduced for release of funds in R&B, P.H, Engineering Wing of P.R and Forest departments dealing with Public Works and the orders issued are applicable only for works expenditure (GO.MS.No.60 F&P (FW.B4) Department dated 30-3-2001). Similarly the N.H Divisions in R&B were also brought under PAO works system with effect from 1-8-2001 (Govt. Memo No.2358/F3/2/2001-9 dated 28-7-2001).The civil accounts i.e. establishment claims of the above Departments will however continued to be with the treasury. The orders are also applicable to PW Workshops which were brought under PAO Works system.

2.4.6 In order to monitor that prompt supply of vouchers for Central Audit and progress in clearance of arrears accumulated on this account, a monthly return in the prescribed proforma (**Annexure-II**) should be prepared by Works Audit Sections and sent by 5th to ES-I Coordination for consolidation and submission to the Group Officer by 10th. The quarterly return in the same

format is due in CAGs office by 15th of April, July, October, and January respectively. The return should be sent by ES-I Coordination to CASS Co-ordination by 10th of the above months. (Circular No.4-Audit/MOM/95 D.O.No.317-Audit (MOM)/102-94(11) dated 22.6.95 from CAGs office)

2.5 Procedure for selection of vouchers for audit/review

2.5.1 As soon as the accounts are received from works accounts sections of AG (A&E), after exercising preliminary check, the auditor should take up the listing of vouchers for audit. This is done in the Register SM.II. The percentages prescribed should be clearly indicated in the register.

Note: This register should be sent to ES-I Coordination for review annually on 15th June.

(O.O.No.W.MI/B/16-1/71-72/70, 3rd August, 1971)

2.5.2 The list of vouchers due is indicated in the register of selection of vouchers for audit check. When these vouchers are received, the list of put up to AAO/SO for selection for audit.

2.5.3 While listing the vouchers it should be seen that (a) the amount for which the contractor is required to give acknowledgement is the criterion for determining the amount of vouchers both for selection of vouchers for audit and check of classification.

(CAG Letters No.211-TA.I/413-63, dated 29January 1966 and 310-TA.II/262-65 dated 10th February, 1966)

Note: - The list of vouchers due is indicated when the vouchers are received and the list sent to AG(A&E) for reconciliation.

2.5.4 The vouchers selected for audit should be copied in the “Register for selection of vouchers for review” in form S.M.II which should be submitted to AAO/SO/Supervisor for selection of vouchers for review. The review should be marked after the audit is over and the register should be kept under the custody of the AAO/SO/Supervisor. The Sr.Auditor/Auditor should examine the several schedules, schedule dockets, etc., received with the monthly accounts to see that they are in all respects complete in accordance with the rules applicable to each case and then audit them in detail in accordance with the general, as well as special instructions prescribed in the relevant chapters of this Manual. After completion of audit, the following certificate for the audit of vouchers is required to be given in this register.

Certificate by Auditor

“Certified that the vouchers required to be audited have been audited with reference to agreements/work orders., where the agreements/work orders are for the works awarded by the authorities higher than the Divisional Officer. The following agreements/Work orders have not been received in audit and have been called for”.

2.6 Current Review of audit

2.6.1 The rules for the current review of audit of the monthly accounts of Public Works Divisional Officer and of the supporting schedules, vouchers etc., are laid down in para 4.2.7 of

MSO(Audit) and those regarding the check of the classification of vouchers of the Works Audit are laid down in para 2.3.2 *ibid*.

2.6.2 Besides the checks in paras (4.2.7 of MSO (Audit) it should be especially seen by the AAO/SO/Supervisor that responsibility for the accounts has been accepted by the Divisional Officer concerned. In the case of works for which estimates are required to be sent to audit, expenditure on every work is covered by a properly sanctioned detailed estimate and wherever necessary, by special sanction of the competent authority. Expenditure and other transactions brought to account do not reveal any infringement of the standards of financial propriety. Percentage recoveries on account of “Establishment”, “Tools and Plant”, “Accounts and Audit” charges are correctly adjusted, where necessary transfer adjustments when made are permissible and the debits and credits to remittances are correctly classified, when necessary as original or responding satisfactory action towards the realisation of settlement of suspense balance is being taken. Debits to stock are correctly detailed in accordance with the rules and in respect of manufacture operations, the land and kiln charges and the difference between “operations” and “Out-turn” are correctly accounted for.

All revenues, or other recoveries due to Government, are correctly and promptly realised and credited to the Government account and financial rules or other orders applicable to the cases, prescribing the scale or periodicity of recoveries, are not deviated from as could be checked to the extent possible for the accounts rendered. All items forming the subject of special reports have been incorporated in the objection statements and necessary checks in respect of consumption statements received with the bills have been duly exercised.

2.7 Completion of audit

2.7.1 After the review of an account has been completed by the AAO/Section Officer/Supervisor, he/she should record the following certificate as given in Form SM.II in the Registers for selection of vouchers for audit and review and submit the register along with the monthly account complete with all enclosures, Audit Note, Objection Statements and Objection Book to the Branch Officer.

“Certified that besides a general examination of all vouchers, I have fully reviewed those entered in column IV and also checked classification of all other vouchers for amounts exceeding Rs.5,000/- each.”

2.7.2 Passing of accounts

Account should be passed for the total disbursement less any amount under cash balance increased. The Audit enfacement should be written in red ink and signed in full by the AAO/SO/Supervisor.

2.7.3 Audit certificate

After completion of audit, the certificate of audit in the form prescribed hereunder should be furnished to AG (A&E) with a copy to ES-I Coordination on the 7th of fourth month

succeeding the month to which the account pertains. The due date for the submission of audit certificate for March Supplementary accounts is 7th July.

“Certified that the audit of the vouchers for the month (particulars of month) pertaining to (nature of transaction) have been completed on (date)

2.8 Register of points for inspection

A register of points to be looked into during inspection should be maintained in each section in the proforma given below.

Sl. No	Name of the division to which the point relates	Month of account and voucher number	Brief summary of the point for investigation	Reference to No. and date of the letter addressed to the divisional authorities	Reference to No. and date in which the point was communicated to the I.O.	Gist of remarks of the I.O. after investigation	Final orders issued/ passed
--------	---	-------------------------------------	--	---	---	---	-----------------------------

Separate folios may be opened for each division. The points arising in Central audit which may be required to be investigated during inspection should be recorded in the register in the respective folios over the initials of AAO/Section Officer/Supervisor. A memo of such points to be looked into during inspection should be forwarded to the Inspecting Officer at the time of inspection of the division concerned, over the signature of Sr.DAG ES-I (~~Works & Projects~~) as required in para 30 of the Secret Memorandum of Instructions.

2.8.2 The Inspecting Officer should examine the items marked and report the result thereof against each item and return the memo along with the inspection report.

2.8.3 On receipt of the memorandum with the report of Inspecting Officer from IR Cell, it should be got diarised and the disposal thereof watched. The final disposal should be noted against the item concerned in the register of points to be looked into during inspection and attested by the AAO/Section Officer/Supervisor.

2.8.4 The register should be submitted to the Branch Officer on 10th of every month.

2.8.5 Return of Vouchers

After the audit is completed the audit sections should return the vouchers to the AG(A&E). (CAGs Circular No.7-TA 1/84/No.224-TA-1/83, dated 17.2.84)

2.9 Check and certification of the finance and appropriation of accounts

2.9.1 Appropriation Audit of Grants is conducted in Report section. As an extension of the year-end check and certification of the Finance and Appropriation Accounts by Audit, the accounts compiled by the A.G (A&E) are required to be checked for their correctness by Works audit sections continually on a monthly basis. To provide a meaningful check on monthly accounts and other basic records that go into consolidation of final accounts of the

State, the checks to be carried out by Audit Office are as enumerated in Para 2.9.5 to this chapter. These checks are expected to help in timely detection and notification of errors in compilation and accounting and also in avoiding large scale corrections at the time of finalisation of Appropriation and Finance Accounts. The following instructions should be kept in view while conducting the above mentioned checks.

2.9.2 The checks are to be exercised only after the accounts of the months are compiled and sent to the State Government. The discrepancies pointed out in audit are to be carried out in the following month.

2.9.3 The checking of records should be done in A&E office and on no account the records should be requisitioned to be sent to the Audit office.

2.9.4 The memos issued pointing out short comings, if any, should be more in the nature of advisory notes than criticism and should be issued only after discussing at Branch Officer's or if necessary at Group Officer's level.

(Hqrs. Office general circular No.2 - Audit II/92 communicated in Lr.No.87-Audit-II/35-91, dt.24.1.92 addressed to all Accountants General etc.)

2.9.5 The checks to be exercised in relation to public works transactions are mentioned below:-

Nature of check

Check of classification

Check of broadsheets of D.A.A. suspense (public works major heads)

Broadsheets of P.A.O. suspense

Check of classified/consolidated abstracts (P.W.D.)

Check of combined transfer ledger to ensure rectification of misclassification (P.W.D. transactions)

check of action taken on reconciliation statements (PWD only)

2.9.6 The Broad sheets in respect of transactions pertaining to Heads, "I - Remittances into Treasuries" in Form M.S.O.(A&E)-20" and "II-Public works Cheques" in Form M.S.O.(A&E)-19 should receive special attention and it should be seen that in cases where "Form-51 schedule of monthly settlement with Treasuries" is not received, clearing of debits and credits is done on the basis of cheque-wise and challan-wise particulars received from Divisions/Treasury offices.

2.9.7 The work of checking completed accounts in respect of Public transaction based on the payment control by respective PAOs irrespective of R & B, Public Health Dept. and Irrigation Department as indicated below:

2.9.8 The check of accounts should be completed by the designated sections by 20th of the month third succeeding the month to which the accounts relate and a certificate in the following form over the signature of AAO/SO/Supervisor kept on record in a register maintained for the purpose and also a copy of the certificate furnished to the ES-I Coordination section. The register should also be submitted to the Branch Officer on the 25th of every month.

“Certified that the accounts compiled by AG (A&E) in respect of Public Works transactions for the month of _____ have been test checked in audit”.

The certificate for March supplementary accounts should be furnished by the 10th September.

ANNEXURE-I [Referred to in para 2.4.2]

Programme of Audit

- Name of the Division
- Receipt of Account
Date of requisition
- Actual date of receipt
- Audit of Vouchers and Account by Auditor
- Selection of Vouchers for Audit
- due date
- actual date
- Completion of audit
- due date
- actual date
- Review by SO/AAO
- due date
- actual date
- Initials of the Auditor
- Date of issue of Audit Note

ANNEXURE-II

[Referred to in para 2.4.6]

Progress Report on the supply of vouchers for Central Audit (for quarter ended)

Sl. No.	Name of the Group	Month up to which requisition for vouchers has been sent to A&E Office	Month up to which vouchers have been made available for Central Audit	Month for which vouchers are wanting	Arrears in Central Audit account of wanting vouchers	Action taken for prompt supply of vouchers for Central Audit by A&E Office.
1	2	3	4	5	6	7

ANNEXURE V (referred to in paragraph 2.12)

Certificate to be recorded by the Auditor

Certified that the vouchers selected for audit have been audited with reference to agreements/work orders, where the agreements/work orders are for the works awarded by the authorities higher than the Divisional Officer. The following agreements/work orders have not been received in audit and have been called for. The objections with monetary value have been registered in the **O.B.** and the balance totalled and progressive totals brought up to date.

Certificate to be given by Section Officer/Asst.Audit Officer/Supervisor

Certified that all the accounts allocated to this section have been audited in accordance with the rules and audit notes have been issued.

Certified that I have fully reviewed all the vouchers which are marked for review and entered in column(4) of the Selection Register and generally examined the other vouchers also whether audited or not in order to see that there is nothing irregular or peculiar on the face of them. Certified that I have checked classification of all other vouchers for amounts exceeding Rs.5000 each.

Signature of AAO/SO/Supervisor/Section

CHAPTER - 3

SCRUTINY OF SANCTIONS AND ORDERS

3.1 General

3.1.1 The IR Cell Section is responsible for the audit of all sanctions communicated to Audit including financial sanctions, technical sanctions, sanctions to excess over estimates. However, orders relating to delegation of powers will be examined by *ES-I Coordination*. The sections are also responsible for audit of expenditure against such sanctions and allotment made in the Budget against individual works and/or orders of re-appropriation.

3.1.2 An incorrect application of rule or general order should be challenged but the rules themselves must not be challenged in any communication to a lower authority. In such cases, the inconsistencies should be brought to the notice of the authority competent to amend the rules.

3.2 Review of Sanction

3.2.1 In the audit of sanctions and orders, the instructions contained in Paras 2.2.25 to 2.2.38 of the M.S.O.(Audit) must be observed.

3.2.2 Sanctions of Permanent nature

All sanctions having a long period of currency, as well as sanctions of a permanent nature require to be reviewed periodically so that, if there is any reason to think that the Administrative authority concerned should be invited to review the sanction such action may be taken Vide Para 2.2.33 of MSO Audit. Each of such sanction should be scrutinised and after acceptance by the Branch Officer, entered in a special register in the proforma furnished in **Annexure-I** to this Chapter. This Register should be put up to the Branch Officer every quarter on 10th of April, July, October and January.

3.2.3 Such sanction should necessarily be reviewed at the time they are brought over to the next years register and action taken where necessary.

3.2.4 Communication of sanctions

As a general rule every sanctioning authority is responsible that all sanctions and orders against which audit of receipts or disbursements is to be conducted in the Audit office are communicated to Audit. The procedure followed by the P.W.D. authorities of the State Government is laid down in para 95 of AP WA Code.

3.3 Sanction to Works

3.3.1 Expenditure on a work must be covered by (i) administrative approval (ii) technical sanction and (iii) allotment of funds.

3.3.2 Administrative approval: As per the recommendation of the Working Group for the simplification of accounting Public Works as accepted by the Government of India and the A.P. State Government, copies of administrative approval need not be supplied to Audit when they are issued separately and not along with the sanction to expenditure. Technical sanction may be communicated to this office only in respect of works relating to Projects costing more than

Rs.25 lakhs, and more than Rs.2 lakhs in the case on non-project works. Copies of abstract of estimates need not be supplied to Audit unless specifically called-for. However, copies of abstracts of estimates or Administrative approval containing details of break up by sub-heads or component items in respect of all projects or Civil works costing Rs.25 lakhs or more shall be communicated to Audit (Para 95 of AP WA Code).

3.3.3 Copies of the project reports of these schemes should however be called for by the IAU(W) sections so as to know the scope of the projects, objectives sought to be achieved, normal period contemplated for completion, estimated cost etc. The reports should also be passed on to ECPA section who will make use of them during the review of the projects.

3.3.4 In G.O.Ms.No.236 I&P(PW) Department dated 22.7.1980, detailed instructions were issued for the preparation, annual review and revision of Project estimates. They were based on the report of the C.E. Major Irrigation and General in his letter No. FA/70-71/79-4 dated 1.11.1979. A gist of these two references is furnished as **Annexures II and III** so that it can be verified in audit whether departmental officers are adhering to these instructions while preparing, reviewing and revising Project Estimates.

3.3.5 Revised administrative approval is necessary as a result of material deviation from the original approval and also in cases where the expenditure exceeds or is likely to exceed by more than 10% of the amount administratively approved. Similarly, a revised expenditure sanction is also required, if any excess is likely to occur over the amount of the original sanction.

(G.O.Ms.No.1722 PWD., dated 26th December 1969)

3.3.6 Technical Sanction

A return of sanctioned estimates has to be furnished to Audit on 5th of each month by each Divisional Officer and the Superintending Engineer in respect of works sanctioned by them during the preceding month with full particulars regarding classification, month (vide Para 212 of A.P.W.D.Code). The receipt of this return has to be watched by each audit section through the Progress register in the form given in **Annexure-IV**. Separate folios should be opened for each Division so that division-wise details could be incorporated. As the expenditure on a work is classified in the schedule of works expenditure with reference to the classification furnished in the return of Sanctioned Estimates, it is necessary that the receipt of these Returns is closely watched and the Returns filed separately. The Register should be submitted to the B.O. on the 15th of every month.

3.3.7 Revised Technical Sanction

The orders of the authority competent to accord technical sanction are necessary for any material structural alterations in the technical estimate. When the expenditure is likely to exceed the amount of sanctioned estimate plus such excess as can be passed by the appropriate authority for any cause whatever other than tender premium or when material developments or deviation

necessitate revised administrative approval, a revised technical estimate is necessary, vide Para 214 of “D” Code (G.O.Ms.No.1722 PWD dt.26-12-1969).

3.3.8 No work in the Public Works Department shall be commenced nor liability incurred in connection with it until an estimate has been technically sanctioned and allotment of funds made. Cases in which the Divisional Officer commences a work or incurs a liability in the absence of the above formalities due to emergency are required to be communicated immediately to the Accountant General in the proforma given in **Annexure-V**. The receipt of such report should be watched in the IR cell Sections vide Para 177 “D” Code and action taken as prescribed therein.(G.O.Ms.No.800 PW&T dt. 21-04-1955 & G.O.Ms.No.561 dt. 4-3-1965).

3.4 Scrutiny of Sanctions

3.4.1 (i) While scrutinising the sanctions in audit, it should generally be seen that the authority sanctioning it, is competent to do so by virtue of the powers vested in it by the Constitution of India and of the laws, Rules or Orders made there under or by the rules of delegation of financial authority made by a competent authority;

Note: - The orders of delegation of powers themselves should be scrutinised carefully before acceptance vide para 2.2.18 of M.S.O.(Audit).

(ii) the sanction is definite and needs no reference either to the sanctioning authority itself or to any higher authority.

(iii) the expenditure is a legitimate charge on the provision from which it is proposed to be met;

(iv) the expenditure conforms to the statutory provisions as well as the relevant financial rules, regulations and orders;

(v) the sanction fulfils the standards of financial propriety; and

that in cases of sanctions to new schemes of expenditure, a satisfactory accounting procedure has been evolved, and the detailed cost and time schedules, physical targets and other objects of the expenditure are duly laid down by the sanctioning authority (vide Para 2.2.29 M.S.O.(Audit).

3.4.2 Applicability of Rules

The rules applicable to the sanctions to works expenditure by competent authority are those that are in force on the date when the sanction is accorded even though prior to that date, expenditure might have been incurred in excess of the previous limit of powers of sanction of the authority concerned. When, however, expenditure is incurred in excess of the existing powers of sanction it becomes automatically objectionable and Audit should challenge it and insist on the sanction of competent authority. If there be any deliberate delay in obtaining proper sanction because of a hope that a sub-ordinate may shortly obtain enhanced powers which would enable it to accord sanction, Audit has the discretion to require that a proper sanction should be obtained at once without waiting for a decision as to the grant of increased powers.

3.4.3 In auditing sanctions to expenditure from the point of view of competency of the sanctioning authority, the guiding principles laid down in Paragraph 2.2.28 of M.S.O. (Audit) should be followed.

3.4.4 In the scrutiny of sanctions, where the sanctions are not acceptable, the use of the expression “not accepted in Audit” should be avoided, as it tantamount to questioning the competence of the sanctioning authority. Instead, expressions such as “clarifications have been sought” or “questions have been raised in regard to a particular sanction” should be used.

(CAG’s Lr.No. 1029/Audit/91-71/23.9.72 and O.O.No.TM.I General II/12/8/1972-73/157, dated 19th October 1972).

3.5 Communication of sanctions by the State Govt

3.5.1 All orders and other instruments made or executed by order or on behalf of the Govt. of Telangana shall be expressed to be made by or by order of the **Governor**

of Andhra Pradesh. Save in cases where an officer has been specially

empowered to sign an order or instrument of the Governor of Andhra Pradesh, every such order or instrument shall be signed by either the secretary, the Additional Secretary, the Joint Secretary, the Deputy Secretary, or the Assistant Secretary to the Government of Andhra Pradesh and such signature shall be deemed to be proper authentication of such order or instrument.

3.5.2 Government have authorised the section officers of all departments of the secretariat including the section officer General Administration Department to sign fair copies of communication including financial sanction to be communicated to Audit by the Administrative departments concerned. (G.O.M.S.No.219 Fin.dt.11.9.73)

3.5.3 Copies of all sanctions and orders of Government communicated to Audit Officers should be signed in ink by an authorised Gazetted Government Servant.

(G.O.M.S.No.1560, G.A.(Services-D) dated 13.9.1957)

3.5.4 The sanctions and orders issued by the departments of Secretariat of the Government of A.P. may be communicated to Audit direct.

A Paragraph to the following effect should be included in all other sanctions.

“This order/memo issues with the concurrence of Finance Department vide their O.O.Note No.....dated.....”.

In case the sanction is under the powers delegated to the Administrative Department, the sanction should include a para to the following effect.

“This order/Memo does not require the concurrence of the Finance Department under the rules or orders on the subject”.

(Govt.Memo No.45673-A/Acct/60-1,dated 10.5.60 File T.M.Code/15-9(a)/59-60)

3.5.5 When the Head of the department or any subordinate authority issues an order sanctioning expenditure, either the sanctioning authority itself or a Gazetted Government servant

in the office of the authority should communicate the sanction to Audit. In no case should the sanction be communicated to the Audit Officer over the signature of a non-gazetted “Ministerial” Officer. The signature of the Gazetted Officer in the order communicated should only be in ink and not in stencil or facsimile. If the sanctions received do not confirm to these instructions, the sections should call for properly attested copies of the sanctions before they are acted upon.

3.5.6 Sanctions accorded by the Head of the Department and communicated to Audit by an authorised Gazetted Officer or conveyed by him in the name of the Head of the Department may be accepted in audit, if otherwise in order, as in both cases the responsibility for the sanctions issued rests with the Head of the Department.

(C&AG’s lr.no.1868-Adm.II/69-56 dt.19.10.1956)

3.5.7 Where a sanction is dealt with independently by different Auditors/Sr.Auditors, each auditor/Sr.Auditor must separately scrutinise the sanction with reference to the points mentioned above, unless in cases the Asst.Audit Officer/Section Officer/Supervisor of the section concerned has ordered some other procedure. No sanction, however, which had been submitted to this office for scrutiny before it was issued, need be re-audited, unless there is some feature on the face of it which indicates the necessity for re-audit; in these cases the Asst. Audit Officer/Section Officer/Supr. of the section concerned should endorse on the sanction “in order”. Where a proposed sanction has been referred officially or un-officially to this office, it is necessary to see, when sanction is finally received that it is strictly in accordance with the proposals accepted by this office and in this case also necessary endorsement may be made by the Asst.Audit Officer/Section Officer/Supervisor on the face of the sanction. If a sanction cannot be finally audited at once, eg., if its admissibility depends on some contingency which may or may not arise, should be brought to the special notice of the Branch Officer who will consider whether the sanctioning authority should be addressed to recast the sanction in a form which will admit of its being finally audited without further delay. Similar action should also be taken with regard to sanctions which are expressed in such form that difficulty may be experienced in conducting audit against them.

NOTE: - Copies of related correspondence referred to in the sanctions may be called for if they are considered necessary to understand the background of the case.

3.6 Sanctions relating to the opening of new Division and continuation of existing Division

3.6.1 Sanction relating to the opening of new Divisions or continuation of existing Divisions should be issued by the Government. When such orders are received in the IAU(W) Sections, it should be seen that -

In the case of new Division, the Divisional Officers are declared as drawing and disbursing officers; the orders are issued by the competent authority; the order is signed in ink;

3.6.2 The following further procedure should be observed by the IR Cell.

Intimation regarding abolition/merger of the division should be given promptly to **ES-I Coordination** and IR Cell Sections. A close watch should be kept over the receipt of the accounts for the month in which the division was merged/closed.

A monthly return is sent to **ES-I Coordination** on the 10th of every month by Section concerned of A.G(A&E) Office, vide para 2.6(ii)(d) of Manual of Works Accounts Department of A.G(A&E), giving the following details.

Name of the division closed/merged during the previous month

Date of the closure of the division.

Name of the successor division to which the records were handed over and also whether closing account was received. If not received, reference to number and date of the letter calling for the closing account should be given.

Name of the IAU(W) Section to which the audit records are to be transferred.

“Nil” return should be sent if there is no case of closure.

ES-I Coordination ~~/CWAC~~ should also watch the receipt of the monthly return from Works Accounts Sections and submit a consolidated report to the Sr.D.A.G (ES-I) on the 15th of every month. (WMC/8/14-26/76-77/10, dated 29.6.1976)

3.7 Sanction to contracts Audit of contract agreements

3.7.1 The sanctions to contracts should be scrutinised with reference to the instructions contained in Chapter-5 of the Manual.

3.8 Sanction to projects

3.8.1 The term “project” is generally applied to a large work consisting of several parts of smaller works or groups. While auditing the sanctions to projects, it should be ensured that for the purpose of financial sanction, the Project is considered as one work and the necessity for obtaining the sanction of a higher authority to a Project is not avoided by reason of the fact that the cost of each particular work in the project does not require such sanction. In the case of projects relating to Irrigation, Navigation, Embankment and Drainage Works, the construction estimates of which have been closed. This rule is subject to the special rules prescribed for sanctions to incur capital expenditure [vide para 2.2.28(iv)] and note there under in M.S.O.(Audit). In the case of Irrigation projects for which capital and revenue accounts are kept, the technical sanction is received with estimates under all sub-heads and detailed heads.

NOTE: It should be seen that details as to whether the work forms part of a project work or not are invariably given in the sanction.

3.9 Sanction to estimates for demolition

3.9.1 Sanctions to estimates of expenditure on demolition, restoration or rebuilding works in connection with newly constructed building or structure should be scrutinised in order to see that-

➤ the original expenditure did not prove unnecessary/nugatory or fruitless.

- the new expenditure is not due to lack of foresight or neglect either in the arrangement for original construction or in those of maintenance after construction
- that both the original and new expenditure were unavoidable and
- the estimate provided for credit towards useful dismantled material.

3.9.2 Cases in which there are strong reasons to suspect that there has been a considerable loss or expenditure which could have been avoided, should be submitted to the Branch Officer in-charge for his orders. Cases which could not be properly scrutinised for want of complete reports on estimates in the central audit, should be referred to Inspecting Officer for examination.

3.10 Sanction to work-charged establishment

3.10.1 All sanctions relating to entertainment of work charged establishment, other than those corresponding to Class IV in the regular establishment, accorded by an Officer higher than Divisional Officer are required to be endorsed to Audit.

3.10.2 Such sanctions are to be scrutinised in accordance with General Principles laid down in paras 2.2.28 to 2.2.30 of MSO(Audit) and admitted in Audit, if complete in all respects, under the signature of AAO/SO/Supervisor. In important cases, orders of Branch Officer should be obtained.

3.10.3 In G.O.Ms.No.107, dated 7.12.74 standardisation of categories and fixation of scales of pay of work charged establishment in all branches of P.W.D. including Project Wing was ordered. Accordingly work charged employees were brought under various categories and their qualifications and scales of pay were fixed. All work charged employees who have completed ten years of total service are regarded as Government servants with effect from 29-3-1979 or from such subsequent date as and when they complete ten years of service on their existing scales of pay and their present conditions of work.

[G.O.Ms.No.130 I&P Department dated 18-3-1981 and G.O.Ms.No.168 IRR(SER V), dt.3-4-84]

3.10.4 The Government ordered that the pre-absorption work charged service of all the work-charged employees who have become government servants in accordance with the G.O.Ms.No.130,I&P Department,dt.18-3-81(ie., the service from the date of 1st appointment as work-charged employee) be counted for the purpose of pension in combination with subsequent Government service in relaxation of Article 361 of C.S.Rules (w.e.f.29-3-1979).

[G.O.Ms.No.168,IRR(SER V), dt.3-4-1984]

3.10.5 The following concessions were ordered with effect from 29-3-79 to all the work charged employees under the administrative control of Irrigation & CAD including Projects Wing, R&B, Housing, Municipal Administration & Urban Development and Panchayat raj Department who have completed 10 years of service.

- Leave as per A.P.Leave Rules and encashment of leave.
- Leave Travel Concession.
- Loans and Advances.

- Construction allowances wherever admissible to Government Servants.
- Reimbursement of medical expenses.
- Educational concessions.
- Incentives under Family Planning programmes.
- Pay fixation, Joining Time, Travelling Allowance, Transfer T.A. and
- Appointment of a son/daughter/spouse of a deceased work-charged employee without medium of Employment Exchange. (Govt.Memo.No.1300-PAC II/79-1, dt.23-4-1979)

3.10.6 Government ordered that all subsequent clarifications/modifications on the original scheme issued by G.A.D.in respect of Government employees should automatically be applicable to work-charged establishment without the need for issue of a separate order by Irrigation & CAD Department. [G.O.Ms.No.269 I & CAD Department, dated 11-8-1988]

3.10.7 The following work charged employees who became Government servants in terms of G.O.Ms.No.130 I & P Department, dated 18-3-81 shall be designated as follows:

- on maintenance side as “Maintenance Establishment.”
- on project side as “Project Establishment”
- other Establishment as “Work Establishment”

[G.O.Ms.No352 I & P Deptt. dt.7-8-81]

3.10.8 There must be a vacant post for any appointment or to promote any-body to a particular post. In the absence, it is not possible to promote any eligible work charged employee. (Govt.Memo No.2404/B-II/82-1 dt.24.11.82 of T. R&B Deptt.)

3.10.9 No vacancy need be created just because an individual is having requisite qualification for promotion. Promotions may therefore be considered to work charged employees subject to availability of vacancy and work load, but not on an automatic process as and when the employee completes the prescribed service.

(Govt.Memo No.563/B(II)/86-6 dt.9.4.1987 of T(R&B)Deptt.)

3.10.10 In order to bring about uniformity in the scales of pay, nomenclature and qualification for work Inspectors of Irrigation and Power and Panchayat Raj Departments, orders were issued in G.O.Ms.No.226 dated 26.6.80 wherein new designation for various categories of work Inspectors were given with uniform scales of pay in all departments including R&B, Health, Municipal Administration and Urban Development.

3.11 Sanctions relating to Revenues

3.11.1 Audit of sanctions relating to revenues should be conducted with reference to the provisions contained in Paras 4.3.9 of M.S.O. (Audit)

3.11.2 Remissions of Revenue and abandonment of claims to Revenue

While auditing sanction to extra-statutory remissions of revenue and abandonment of claims to revenue, it should be ensured that they are within the competence of the authorities issuing them, i.e., within the powers indicated in A.P.F.C. Vol.II. Such cases should be noted in a

Register in the form given in **Annexure-VI** and submitted to Branch Officer on the 10th of every month.

3.11.3 The provisions of Para 7.1.13 of M.S.O.(Audit) regarding waiver of objections apply to these cases also.

3.12 Sanctions relating to write off of losses

3.12.1 Sanctions relating to write off of losses should be scrutinised as to their competency and legitimacy with reference to the standards of financial propriety and other orders applicable to each case. Any defective system which appears to require attention should be brought to the notice of the authority concerned.

3.12.2 Prima facie extravagant or avoidable expenditure:-

The following procedure should be observed in dealing in audit with cases of prima facie extravagant or avoidable expenditure or challenging in audit sanctions accorded by executive or administrative authorities to write off of losses which are avoidable and due to culpable neglect of the parties at fault.

There may be cases of write off in which an Audit Officer may feel it right or consider it desirable to bring certain considerations to the notice of administrative authorities with reference to matter in which the financial interests of Government are clearly at issue. In such cases it would be proper for him to bring them to the notice of the authority which sanctioned the write off pointing out that there seems to be some prima facie ground for effecting a recovery from the person to whose neglect the loss was apparently due and asking to be informed whether any action in this direction was contemplated. On such a representation being made it will be the duty of the administrative authority concerned to give it his careful consideration and to inform the Audit Officer in due course of the action, if any taken by him.

In minor cases, the action indicated above will be sufficient and the considered decision of the administrative authority concerned may appropriately be accepted. But in a matter of more substantial importance, the Audit Officer may properly proceed to refer to the next higher authority if he considers that the action taken by the original authority was inadequate.

The same procedure should be followed when steps are not being taken to enforce a recovery which would apparently be legitimate. This would include a case in which the Audit Officer considers that the recovery could be made from a third party and no recovery has been affected. In all cases of importance, the orders of the Senior Deputy Accountant General (ES-I) should be obtained through ***ES-I Coordination***.

All orders of write-off should be communicated by the sanctioning officers to the Accountant General (Audit) I.

3.13 Register of Defalcations, Embezzlements and Losses

3.13.1 As soon as a case of defalcation or embezzlement comes to the notice of **IR Cell** concerned, it should at once be reported to the ***ES-I Coordination*** ~~CWAC~~ Section with such

facts of the case as may be available. Further progress of such cases will be watched by I.A.U.(W) Section through the Register of Defalcations cases in form S.Y.17 (**Annexure-VII**) till the case is finally closed.

3.13.2 All other cases of losses should also be dealt within **IR Cell** concerned and noted in a register in Form S.Y.17. The cases should be properly pursued and reports on the points submitted to the Branch Officer on the 10th of each month and to the Sr.Deputy Accountant General (Works & Forests) quarterly on 10th of .May, August, November and February, through CWAC. The reports should indicate.

1. Previous balance
2. Fresh cases (items to be detailed)
3. Total (items to be detailed)
4. Cases closed (items to be detailed)
5. Balance (items to be detailed)

3.1.14 Miscellaneous sanctions

3.14.1 These will include sanction to the purchase of stores. They should be audited with reference to the general principles enunciated in para 3.3 supra. However, supply of material departmentally was dispensed with effect from 27-9-97.

3.14.2 Date of effect of sanctions

Statutory rules have effect from the date as indicated in Article 49 of A.P.F.C.Vol.I The executive orders of the Government take effect from the date of issue of the letter in which the sanction is conveyed. A sanction of any other authority has effect from the date of the orders conveying the sanction. These orders are subject to any special provisions as to the date of effect in the rules, orders or sanction themselves.

3.14.3 Lapse of Sanction

The Technical Sanction to any Public Work other than annual repair will cease to operate after a period of five years from the date on which such sanction was accorded, unless the work has been commenced (vide para 186 of A.P.W.D. Code). The acceptance by competent authority of Budget Estimate, which includes specific provisions for expenditure upon a work which is in progress may be regarded as reviving such estimate for the year, in which the provision is made.

3.14.4 Acceptance of Sanctions

All sanctions to expenditure of the Government should, after necessary scrutiny, be accepted under the Branch Officer's initials with the certificate "audited and admitted". Similar sanctions, accorded by the sub-ordinate authorities should be audited with reference to the financial powers delegated to them by Government, are recorded after they are admitted.

3.14.5 Orders of Financial delegation

Where the sanction order relates to the delegation of financial authority or the issue of new Financial Rules or variations in existing Financial Rules, it should be examined by

C.W.A.C. After scrutiny by CWAC the same should be submitted to the Sr.D.A.G (ES-I) for acceptance as required under para 2.2.18 of Manual of Standing Orders (Audit).

3.14.6 The **IR Cell** should maintain a register of delegation wherein the orders of delegation should be entered. This register should be closed and submitted to Branch Officer once a month i.e., 5th and to CWAC for review once in a quarter, viz., 15th of January, April, July and October.

3.15 Audit against Propriety

3.15.1 Para 2.2.40 of M.S.O.(Audit) deals with the application of the general principles which have for long been recognised as standards of financial propriety. Cases of apparent infringements of the principles, require very careful treatment with due regard to the special circumstances of each case and no objection should be raised on the score of apparent infringement of any of the principles without the specific approval of the Accountant General.

3.15.2 Register of Financial Irregularities

A register in Form S.Y.286-A should be maintained by the **IR Cell** for the record of all cases of financial irregularities. Whenever any case comes to notice either during Central Audit or Local Inspection, the section concerned should make necessary entry in the relevant columns of the register. Any subsequent development of the cases entered in the register should also be promptly entered therein. The sections will be responsible for keeping the register posted up-to-date. The register should be submitted for review to the Branch Officer on the 7th of each month and for the review of the Sr.D.A.G.(W&P) on the 10th of each month.

3.15.3 Register of Insufficient and Irregular sanctions

Each **IR Cell** should maintain in two parts, the Register of Insufficient and Irregular Sanctions in Form 7 [para 7.1.37 of M.S.O.(Audit)] for recording the objections in respect of irregular or insufficient sanctions. Part I should contain, the objections for insufficient sanctions issued by the local administration and Part-II, the objection in respect of sanctions issued by the authorities other than local administration.

Objections to sanction of a general nature, issued by the local administration and received by ES-I Coordination Section should be recorded in a similar register maintained by that section.

The AAOs/Section Officers/Supervisors of the IAU(W) Sections should personally see that all such sanctions received in the sections are properly recorded in this register and are attested by the Branch Officer. The last three columns of the register should be filled in with reference to the first charge incurred under sanction. They should review these registers every month and submit them to their Branch Officer by 5th of the following month. The sections should also send an extract of part-I of their register to CWAC Section quarterly by 4th May, August, November and February. CWAC Section should prepare a consolidated report including the objections recorded in their own register and submit the same to the Sr.D.A.G. by 10th May, August, November and February.

3.16 Expenditure in respect of the Official residence of the Governor

3.16.1 The maximum annual limits prescribed in Government of India (Governor's Emoluments, Allowances and Privileges) Act No.43 of 1982, dated 28-8-1982 and the Governor's(Allowances and Privileges) Rules 1987 made there under in regard to expenditure on the official residences of the Governor are incorporated in para 367 to 371 of I.C. Manual and also Para 411 of "D" Code. No expenditure is to be incurred on the maintenance, improvement, renewal or replacement of official residences in excess of the amount authorised under the orders unless it is authorised by the Special Order of the President which is to be obtained in advance. Audit should ensure that the actual expenditure incurred in respect of the Governor's allowances and privileges is properly watched against the prescribed limits and the matter is taken up with the State Government as and when any excess occurs. The audit checks prescribed in this regard in the Manual of Treasury Audit Department should be conducted.

3.16.2 For this purpose, a well bound register should be maintained in two parts (vide **Annexure-VIII**). The register should show the expenditure from month to month and the progressive expenditure incurred under each sub-head. These figures should be entered after careful verification by the Sr.Auditors/Auditors concerned and attested by the AAO/SO/Supervisor. The expenditure noted in the register should be agreed with the booked figures in the Accountant General (A&E) Office and a Certificate to that effect got recorded therein by that Section.

ANNEXURE-I (Referred to in paragraph 3.2.2)

Register of Review of Sanctions of a Permanent nature

Sl. No.	Ref. to File No	Sanctioning Authority	Major Head under which the expenditure is classified	Conditions on which and/or nature of work for which sanction is accorded	Date of Commencement of Sanction	Period of Currency involved	Amount involved	Date of Scrutiny of sanction	Contents of sanction	Branch Officer's Orders	Final Action taken	REMARKS
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.

ANNEXURE –II (Referred to in Para 3.3.4 of the Manual)

Preparation, annual review and revision of project estimates: Based on C.E.(Irrigation) Circular F.4/7071/79-4 dated 1.11.1979, Government have issued the following instructions in respect of preparation, annual review and revision of Project estimates.

Preparation of Project Estimates: The General. abstract of the project Estimate should be prepared in three parts viz., Detailed estimates, Proforma estimates and lump sum estimates(as indicated in Annexure-III).

Annual Review of Project Estimates: The annual review should also be done as suggested by C.E. in the circular dated 1.11.79 as indicated in annexure-III.

Revision of Project Estimate: The instructions apply to major Medium and Minor Irrigation Projects.

Major Irrigation Projects

Estimates for Individual works: - After the Administrative approval is accorded for a project as a whole, technical sanction to individual works is issued by the competent authority. When expenditure on such individual works reaches 50% of the amount of technical sanction, revised estimates should be prepared. If there is an increase in cost, a second revision should be made before final payment is made. If there is no excess over the estimates or revised estimates work-slip, only should be approved by the competent authority for the deviations.

The Project as a whole: - Once in every five years the estimate should be revised. The method of revision should be the same as for the annual review mentioned above. The revised estimate should be sent to the Government in the month of December of the last year of each five year plan.

Medium Irrigation Projects

For individual works, the procedure prescribed under Major Projects should be adopted. Regarding the projects as a whole, when the expenditure reaches 50% of the amount of administrative approval, it should be revised and when it reached 100% a second revision should be made.

Minor Irrigation Projects

When the expenditure reaches 50% of the amount of administrative approval, the estimate for the scheme as a whole should be revised. The total value of lump sum amount in the revised estimate shall not exceed 5% of the cost of works for which detailed estimates are prepared.

(G.O.Ms.No.236 Irrigation & Power (PW)Deptt., dt 22.7.79)

Preparation of Project Estimates

Due to delay in completion of major and medium irrigation works, the cost of projects registers an increase on account of escalation in rates and hence a reasonable accurate estimate of the works on hand and the proposed works has to be prepared. The following instructions are issued by C.E., Irrigation.

The general abstract of the project estimate should be prepared in 3 parts viz., (a) detailed estimates (b) proforma estimates and © Lump-sum estimates.

Detailed Estimate: They should be prepared for head-works and for main canal, based on detailed investigation and detailed designs.

Proforma Estimates: Should be prepared for the distribution system based on detailed estimates of typical blocks, cost curves, statistical and historical data from contemporary projects, cost indices and any other parameters applicable. In the case of buildings, the estimates will be based on approved plinth area rates.

Lump-sum Estimates: Should be prepared on a percentage basis for works like approach roads, electricity, water supply, telephones, sanitation, education, recreation, etc., and such other items provided under “D” Misc.

The sum total of these four estimates together with the provision for direct and indirect charges will be the “basic cost” of the project at current schedule of rates. To assess the final cost of the Project on completion a separate analysis is to be made and appended to the Project Report. For physical contingencies and tender excess, suitable sum should be added to the “basic-cost” and this amount should be phased out into different years according to the construction schedule. Price escalation should take into account, each year’s escalation beginning with half the rate for the year of estimation and full rate for subsequent years duly compounded annual.. The total cost will be subject to annual review. The rate of escalation will be decided by the Board of C.Es.

The annual review should be done during September/October every year based on the expenditure up to working season and for this purpose the review should be classified into the following categories.

Works already completed: Actual expenditure incurred ending June, July plus unpaid but established liabilities will be shown under the category.

Works in progress or taken out: For balance of work, a suitable extra percentage has to be added taking into account the increase in issue rate for departmental materials escalation in price etc. Works for which detailed estimates are prepared but contracts not settled: A further addition towards anticipated tender excess based on past experience is made under this.

Works for which detailed estimates are not prepared: Another further addition towards possible increase during detailed investigation or estimation should be shown under this.

This total cost (2+3+4 above) added to each year outlay will be a fair estimate of the final cost of the Project.

(C.E.Irrigation Circular No.F 4/7071/79-4, dated 1.11.1979)

ANNEXURE-IV [Referred to in para 3.3.6]

Progress Register showing the receipt of return of sanctioned estimates

Sl.No.	Sanctioning Authority	Reference to Sanction	Name of the work	Amount of sanction	Head of account	Division executing the work	Remarks
1	2	3	4	5	6	7	8

ANNEXURE – V (Referred to in Paragraph 3.3.8)

Return showing the works started without sanction

Nature of emergency	Date of Occurrence	Details of damage and works proposed to be carried out	Approx.-mate cost involved to carry out repairs	Date on which work commenced	Total expenditure so far incurred	Action taken to regularise expenditure	Remarks
1	2	3	4	5	6	7	8

ANNEXURE-VI (Referred to in para 3.11.2)

Register of remission of revenue and abandonment of claims to revenue

Sl. No	Name of the Division	Amount of revenue remitted/ claim - abandoned	Period to which the amount relates	Reference to the sanction of the remission	Reason for remission/ abandonment of claim	Reference to the concurrence by F.D	Date of obtaining the orders of Sr.D.A.G. (W&P)	Head of Account	Remarks
1	2	3	4	5	6	7	8	9	10

ANNEXURE-VII [Referred to in para 3.13.1]

Register of Defalcations and Losses

Form SY.17

Subject matter of the case

Amount involved (Book value or
Replacement value as the case may be

in case of stores).....

Amount written off

.....

Amount recovered

.....

Total

.....

..

Sl No	No.and date of the report	From whom received	Nature of loss		Head of account to which the original cost of the property damaged was debited	Progress of the case & action taken	Particulars as to breach of rules which rendered loss practicable	Final orders of competent authority	Remarks*
			Date of occurrence	Brief particulars of the case with description of the loss					
1	2	3	4	5	6	7	8	9	10

**Register of watching the expenditure incurred on the official residence of the
Governor against the prescribed limits**

Name of the Division.....

Sl. No.	Head of Account	EXPENDITURE INCURRED.									
		During April	To end of April	During May	To end of May	Etc.	Etc.	During March Pre/F	To end of March Pre/F	Total for the year	Total to end of year

I. Improvements

Maintenance and Repairs

1. Gardens
2. Electricity
3. Water
4. Taxes
5. Repairs

Total:

CHAPTER - 4

AUDIT OF RECEIPTS

4.1 General

4.1.1 The scope of audit of receipts of the Government and the main principles and process of audit are described in Chapter-4 under section II of M.S.O.(Audit) read with Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

4.1.2 The recoveries towards clearance of charges, outstanding in any account schedules or in the objection books should be watched through the documents maintained for this purpose. Whenever any dues appear to be irrecoverable, orders for their adjustment should be sought.

4.1.3 The Divisional Officer is primarily responsible for ensuring that all revenues or other debts due to the Government which have to be brought to accounts in the public works section of the accounts are correctly and promptly assessed, realised and credited to the correct head of account. It is the duty of the Audit Office to see that revenue and other receipts, of which it has cognisance either through any entries in the accounts or otherwise, eg., through orders of special recoveries received from competent authority, are brought to account by the Divisional Officer and that cases in which separate revenue accounts of projects are kept, the receipts relating to each project are kept distinct. The procedure relating to audit of receipts of the public works department including rents of buildings and lands and refunds of revenue is detailed in para 4-3-ii of M.S.O. (Audit). The correct classification of receipt should receive the same attention as the classification of payments. All revenue receipts of a division should be classified in the schedule in Form-46. In auditing these schedules, the instructions contained in Chapter-8 should be borne in mind.

4.1.4 Orders of Government sanctioning grants of land, assignment of Land Revenue, or any other concession involving relinquishment of revenue, come under the purview of audit; the Audit Department in this case as in other cases exercises a function complementary to that of the Finance Department. All such sanctions received in this office should, therefore, be subjected to audit scrutiny. The audit, would, in effect, be an audit against regularity and against propriety also. (Auditor General's letter No.119-Admn.I/112 Reforms 37, dated 19th February, 1938).

4.1.5 Receipts relating to the Public Works Department generally comprise the following:

Irrigation Revenue, Rents of buildings and lands, Receipts from water supply schemes and Miscellaneous.

4.2 Irrigation Revenue:

4.2.1 The bulk of Irrigation Revenue of the various Irrigation Schemes is collected by the Revenue Department along with land revenue and paid direct into treasuries and brought to account to the credit of the M.H.0029-Land Revenue vide para-260 of APWA Code.

4.2.2 The portion of land revenue due to Irrigation is allocated by the Commissioner of Land Revenue on a notional basis and is required to be furnished to WAC II section of AG (A&E) in the form of Statement of Financial Results of Irrigation works every year on or before 1st October, for effecting adjustment to the P.W.D. Revenue M.H.0701 Major Medium Irrigation Projects [vide also para 4-2 (a) of Works Accounts Manual of AG (A&E)].

4.3 Rent of buildings and lands

4.3.1 Rent data statement: The licence fee to be collected from the tenants of Government residential buildings is calculated by the P.W. Division in the form of rent data statements. Hitherto, these statements were sent to this office for check. As per G.O.Ms.No.574, PWD, dated 23-8-77, the transmission of the statements to Audit was dispensed with. The E.E. will make available these statements to Audit during local inspection (WMC/A/15-12/Vol.III).

4.3.2 Recovery of Rent: The detailed procedure for recovery and refund of rent of buildings and lands and their accounting are laid down in chapter-IX of APWA Code and in chapter-III of P.W.D. Code. Rents recovered from the pay bills by the D.T.Os/PAOs on the basis of demands issued by the P.W.D. Division should be credited to the major heads concerned direct in the Treasury Accounts. The major heads receiving the credit are.....”0059-Public Works”, “0216-Housing”, “0701/0702-Major/Minor Irrigation” and “1054-Roads and Buildings”.

4.3.3 The schedule of rent of buildings and lands: This schedule hitherto sent to this office need not be sent as per C&AG’s letter No.824-TA.I/74-2, dated 17-9-79. The Executive Engineer should prepare the demand statement in triplicate and send three copies to the Treasury Officer/PAO/other disbursing officers concerned and they in turn should furnish all the required details on all the three copies of the demand statement of rents. One copy should be retained by the Treasury Officer/PAO/Other disbursing officer. One copy should be returned to the Executive Engineer and another copy should be furnished to the Drawing and Disbursing Officer concerned. At the time of local audit, these rent demand statements should be checked by the inspecting staff in the offices of drawing and disbursing officers and Executive Engineers. (WMC/B/16-12/79-80).

Note: It should be seen that no credit on account of these deductions is taken in the monthly accounts submitted by the Divisional Officers except when the credits on account of rent deductions from pay bills, are initially offered in treasury accounts to the Head “Public Works Remittances-III Other Remittances and Adjustments are made by the Executive Engineers on receipt of advices therefor.

4.3.4 The rents collected on the residential building at Primary Health Centres (other than Auxiliary Nurses & Mid-wives quarters as they have to be provided rent free), constructed by the Panchayat Raj Department, shall be credited to the revenue head of the department and the

rents collected from R & B Department should be credited to the revenue head of P.W.Department.

4.3.5 House tax on residential buildings shall be paid by the department collecting the rents.

4.3.6 The taxes on non-residential buildings shall be paid from the contingencies of the occupying department as per Article-120(i)(b) and (c) of APFC Vol-I.

4.3.7 The buildings constructed by the Panchayat Raj Department shall be maintained by that department and the buildings constructed by the P.W. Department shall be maintained by the department from their departmental funds.

4.4 Receipts from water supply schemes

4.4.1 Water is supplied to private industries, corporate firms, local bodies such as Municipalities and Railways by the Department at various rates prescribed from time to time.(para 258 of APWA Code)

4.5 Miscellaneous and Other receipts creditable to revenue are:

4.5.1 Sale proceeds of land and immovable property

Sale of land or buildings with the site on which they stand, is generally left to the District Collector, but at the same time it is open to the P.W.D. to apply for permission to sell land etc., themselves if there are justifiable reasons. The proceeds are credited to revenue (Para 163 of APWD Code).

4.5.2 Sale proceeds of dismantled buildings:

As per powers delegated to Officers of P.W.D., according to para 235 of APWD Code, when dismantled materials of the buildings are sold, their sale proceeds should be taken as revenue.

4.5.3 Sale of tools and plant and surplus materials:

As per powers delegated to Officers of P.W.D., when tools and plant and materials become unserviceable/surplus, they should be sold in public auction, and the sale proceeds should be credited to stock account or to revenue account as the case may be.

4.5.4 Sale of tender forms, specifications etc.

The cost of tender forms, specifications etc., sold to the contractors as per para-154 of APWD Code is also taken as receipt of the department.

4.5.5 Sale proceeds of cement bags and empty drums when sold to contractors, the sale proceeds are credited to the respective receipt head within the revenue account or “Receipts and Recoveries” on capital account as the case may be if the value cannot be credited to work.(WMC/A/15-80/Vol.I)

4.5.6 Hire charges of heavy tools and plant:

The hire charges of heavy tools and plant are debited to the contractor’s suspense account and the credit on account of that part of the hire charges payable to Central Mechanical Unit should be classified under “PW Deposits” and the remaining portion credited to revenue

receipts within the revenue account or R&R on capital account as the case may be.
(WMC/A/15-70)

4.5.7 Ferry receipts:

The management of ferries is vested in Government under Section-10(i)(a) of the Canals and Public Ferries Act. Hence, Government have fixed the rates at which collection has to be made in various ferries. The receipts are to be accounted for as revenue in the accounts of Executive Engineer (WMC/A/15-392 and 15-276). Regarding the collections and accounting, see para-348 of APWD Code and Appendix-6 to APWA Code.

4.5.8 Fines, forfeitures etc.

Fines imposed on contractors for slow progress of work, forfeiture of deposits etc., are taken as revenue receipts, but if it was for bad work, the recovery should be credited to the work.

4.5.9 Usufruct trees:

Sale proceeds of usufruct trees, dead trees and grass within the compound of inspection bungalows, non-residential Government buildings and on the road sides are credited to revenue. But, usufruct trees in the compound of Government residential buildings under occupation will be enjoyed by the tenants unless other-wise ordered by the Government.

4.5.10 Receipts from tolls:

In G.O.Ms.No.229, TR&B (R-I-1) Department, dated 18-11-93, Government ordered that tolls should be levied on every vehicle in respect of every bridge completed and opened for traffic from 1993-94 and costing more than Rs.25 lakhs. The rates applicable to various vehicles also were indicated therein.

4.5.11 Track rents:

While laying pipelines, if they pass through Government lands other than public or private streets, a track rent should be collected from the Municipality at the rates mentioned in para-172(xi)(d) of APWD Code. These rents should be credited to revenue.

4.5.12 Seigniorage fee collected from contractor work bills should be credited to the Consolidated Fund of the State Govt. under the Head of Account "M.H.- 0853 - Mineral concession Fees, rents and royalties - S.H. 102 - Royalty on minor minerals".

(G.O.Ms.No.404, industries and Commerce Department, dt. 5-10-1994)

4.5.13 A contribution paid by a local body or a private party with the express object of meeting the whole or part of the cost of the construction by the P.W.D. of a specific work which is eventually to be the property of the Government should be treated as revenue receipts of the Government corresponding to the expenditure major head (including a capital major head) under which the provision for expenditure for such work is made (G.O.Ms.No.854, PW, dt.26-8-74,A/15-11/Vol III).

4.6 Centage Charges

4.6.1 According to the principles laid down in Account Code Vol.I as revised from 1-4-74, all recoveries made from outside bodies or persons or other Governments have to be treated as revenue receipts (see also instructions contained in Appendix-IV to A.P.Budget Manual). Hence, the percentage recoveries made in respect of non-Government works including local funds works, Municipal works and other contribution works have to be treated as revenue receipts from 1-4-74 (WMC/A/15-11/Vol.III) Circular WAC/H75-76/9 of 7/75).

4.6.2 In G.O.Ms.No.30 Transport and Roads Department dt.24-1-78, it was ordered that an amount of Rs.100/- should be charged on each occasion for issued of fitness certificate in respect of strong rooms of each of the State Bank of India, its subsidiaries and other nationalised banks. It is clarified by the Government that the branches of the Bank, wherever they have, have been provided with only one pucca strong room each, for holding currency. (Govt.Lr.No.1635/C1/75-2, dt.22-11-78)(15-11/Vol.IV)

4.6.3 According to Appendix-7 to APWA Code, centage charges at 19% are to be charged for Military Engineering Service. In G.O.Ms.No 303, Transport and Roads Department, dated 23-6-78, the percentage was reduced to 16.5 on reciprocal basis. (WMC/A/15-11/Vol.IV)

4.6.4 Centage charges are waived in respect of works executed by divisions under PWD Irrigation and Chief Engineer, Panchayat Raj on behalf of Integrated Tribal Development agencies. (G.O.Ms.No.64, S.W.Deptt. dt.8-3-77) (15-11/Vol IV) and (G.O.Ms.No.534, T&R, dt.23-6-76) (WMC/A/15-11/Vol.III)

4.6.5 When voluntary medical institutions require certificate from R&B Department that the rates charged for the purchase of equipment and construction of buildings etc., by them sanctioned by the Government of India, are not more than the prevailing P.W.D. Schedule of rates for similar works, only 1% should be collected as Centage charges. (G.O.Ms.No.914, dt.8-8-76/15-11/Vol.IV)

4.6.6 When materials are sold to the public or other departments, centage charges have to be collected on the total of the cost indicated in para-331 of 'D' Code plus storage charges.

4.6.7 The accounts of the works concerned are closed, or if for any special reason the shares of different works in a lump credit cannot at all be determined then the credits should be taken to Revenue.

4.6.8 The estimates of annual repair works take into account all liabilities and assets relating to a work left unfinished in the previous year (see Article-146 of the A.P Account Code, Voll.III) and should, likewise be entitled to any credits received by way of recovery of expenditure charged to the estimate of the previous year. These works should, therefore, be treated as works in progress for the purpose of Article-68 *ibid* but for the precautions laid down in paragraph 4.1.9 of the M.S.O. (Audit), for watching that the amounts received are not utilised towards unauthorised expenditure, should be duly observed.

CHAPTER-5

Audit of Contracts

5.1 General

5.1.1 It is an important function of Audit to examine contracts or agreements for works or supplies entered into by the various authorities on behalf of the Government. The responsibility for placing and fulfilment of contracts for works to be done or supplies to be made rests entirely with the Executive, but this does not preclude Audit criticism where the procedure for placement of contracts has not been correctly followed. (Paras 3.7.1 to 3.7.14 M.S.O. Audit)

5.1.2 The fundamental principles for the guidance of the authorities authorised to enter into contract or agreements involving expenditure from the consolidated fund of the State are indicated in Article 51 of APFC Vol. I.

5.2 Tenders:

5.2.1 The detailed procedure on the system of tenders was laid down in para 154 of APWD Code. In order to bring greater transparency in procurement methods and to ensure better quality of work through competent and efficient contractors/Contracting firms, Government have taken necessary measures from time to time by introducing various reforms standardising the procedures for calling tenders for fair and free competition and also to avoid ambiguities in evaluation and award of Public Works. The evaluation of tender systems has further witnessed important developments owing to formation of tender committees to consider high premium tenders, publication of the tender digest and acceptance of tenders on pre-qualification norms and call of global tenders.

5.2.2 Revision and streamlining of tender procedure:

Government have constituted a Cabinet Sub- Committee (CSC) in GO.938 TR&B [R.1] Department, dated. 29.11.2000. The Cabinet Sub- Committee examined various issues relating to revision and streamlining of tender procedures with the following objectives.

- Simplification of procurement procedures.
- Achieving greater transparency in procurement.
- Reducing delay in procurement.
- Improving quality of construction.
- Ensuring timely completion of projects.

The CSC analyzed the deficiencies in the existing procedures in respect of registration of contractors, qualification criteria, verification of certificates, standard bidding documents, tender premium, purchase of tender documents by non-serious bidders, prevention of cartel formation, deduction of taxes at source, maintenance of assets, grading of contractors and engineers, quality control measures etc. and examined different alternatives in order to achieve better results and made recommendations to the Government for consideration. Government,

after careful examination of the recommendations of the CSC and in partial modification of the orders issued.

5.3 ADMINISTRATIVE APPROVAL

5.3.1 Administrative approvals to the estimates for major and medium irrigation schemes as well as schemes relating to R&B Department will be accorded in two stages.

5.3.2 In stage-I, the administrative approval will be accorded for the following items which will help in preparation of detailed project reports.

- Detailed investigation
- Preparation of EIA and EMP reports, R&R plan, forest clearance etc.
- Preparation of detailed designs/drawings
- Obtaining of necessary clearances
- Acquisition of minimum lands required
- Completion of R&R, EMP etc.
- Shifting of utilities for R&B works

5.3.3 In stage-II, projects will be prioritised and adequate funds be provided to complete them in realistic time frame. The second stage of administrative approval will be issued only after designs are finalised, detailed investigations completed and lands are acquired for taking up works without interruption for the first two years. However, in respect of certain works such two approvals will be given straightaway on certification by the Engineer-in-Chief/Chief Engineer concerned that the Stage-I approval is not needed and that the designs are finalised, detailed investigations completed, lands are acquired and utilities are shifted for taking up the work without interruption in the first two years.

(G.O.Ms.No.21 T.R&B(B-III) dept, dated 6-2-1998 and G.O.Ms.No.23 dated 5-3-1999 as amended in G.O.Ms. N0.94, dated 1.07.2003, IRRIGATION AND CAD (PW-COD) DEPARTMENT).

5.4 Preparation of Realistic estimates

5.4.1 The standard data which forms basis for preparation of estimates for all Civil Engineering Works shall be updated taking the improved construction technology into consideration.

5.4.2 The Chairman, Board of Chief Engineers and Engineer-in-Chief (Admn.) I &CAD Department shall complete the updation of Standard data within a period of six months.

5.4.3 Finalization of Standard Schedule of rates (SSRs):

The SSRs shall be finalised before June without exception every year. The preparation of SSR shall be made more transparent by associating the representatives of Construction Industry, National Academy of Construction (NAC) and the Institution of Engineers (India) A.P.State Centre, at the time of finalisation. For cities like Hyderabad and Visakhapatnam, unit rates will be prepared for various component items.

(G.O.Ms. No.94, dated 1.07.2003, IRRIGATION AND CAD (PW –COD) DEPARTMENT)

5.4.4 A question has arisen as to who should approve rates for items of work not covered by the Standard Schedule of Rates and which are to be worked out on the basis of observed data. It was decided by the Government that the C.Es should obtain the data worked out in the usual manner from the E.Es through the concerned S.Es. The data should be examined by the quality control wings, wherever they are present and if there is no such organisation, the data should be examined by the cell proposed to be constituted for the scrutiny of Standard Schedule of Rates and approval of rates shall be the responsibility of C.Es only.

(Govt.Memo No.102-Y/12-10 PW Dt.2-4-73, P.52/15-261/III)

5.4.5 The copies of Schedules of Rates prepared by the Public Works Department should be supplied to this office along with corrections thereof and the orders of Chief Engineer and State Government.

5.4.6 The receipt of the Schedule of Rates should be watched through Calendar of Returns and checked by ES-I Coordination by maintaining suitable register and the due date for its receipts from the S.Es is 1st June of every year.

5.4.7 PROVISIONS TO BE MADE IN THE ESTIMATES:

In order to prepare realistic estimates, the following provisions are permitted to be added in the estimate.

Implementation of Goods and Service Tax from 1st July 2017

Government of Telangana introduced implementation of Goods and Service Tax (GST) for ongoing and future works contracts wef 1st July 2017 vide G.O.Ms.No.67, Irrigation and CAD (Reforms) Department, dated 04.07.2018. As per para 5(a) of G.O. ibid, the GST is to be levied on all works contracts as detailed below:

<i>Period</i>	<i>GST rate</i>
<i>01.07.2017 to 21.08.2017</i>	<i>18%</i>
<i>22.08.2017 to 12.10.2017</i>	<i>12%</i>
<i>13.10.2017 onwards</i>	<i>(i) For works having earth work component of 75% and more in terms of cost of the concerned works estimates GST is to be levied at 5% on the bills value.</i>
	<i>(ii) For all other works contracts of all Departments an Sectors GST is to be levied at 12% on the bills value.</i>

A lump sum provision shall be made in abstract estimates to meet the expenditure to be incurred by the Contractor on engaging Technical Personnel based on number of persons indicted in the tender document and permissible wages as per SSRs.

A lump sum provision shall be made in the abstract estimate towards Banker's Charges for obtaining Bank Guarantees for payment of E.M.D., performance security and release of retention amount as per prevailing procedure based on the period i.e., period of completion plus

defect liability period. The Chief Engineer concerned shall assess duly obtaining the details thereof from the Scheduled Banks and suitable provision shall be made. Till then, no provision for this item need be provided.

A provision at 1 percent of the cost of cement towards construction of temporary store shed shall be added on the data of relevant items. At the time of preparation of estimates, proper care should be taken to provide the lump sum provisions for the aforesaid items and necessary conditions also should be incorporated in the tender document for suitable reimbursement to the contractors from out of the above provisions, however, not exceeding the amounts indicated against each, on production of the Insurance policies, copies of appointment orders with payment vouchers, Bank Guarantee etc. Failing to comply with the above, reimbursement shall not be allowed but suitable penalty shall be imposed for not engaging technical personnel and the Engineer-in-Charge shall take Insurance policy at the cost of contractor duly deducting the premium from the contractor's bills. Contractor has to take policy in favour of the employer i.e., Department. (G.O.Ms.No.23 I&CAD(PW-COD) dept., dated 5-3-1999)

Machine rates are to be adopted in all the cases for earth work excavation where the quantities exceed 1000 cum, with relaxation on the following items of works:

- Earth work excavation for seating to lining for a depth of 0.10 m to 0.15m for Canals / Channels.
- Removal of silt and slushy soils from the Canals / Channels where depth or removal is less than 0.30m.
- Earthwork excavation for restricted foundation for small structures building foundations etc.,
- Silt in slushy soils removal in lined canals, where movement of machinery is restricted.
- Earthwork excavation for model sections, chutes etc., where the movement of machinery is restricted. (G.O.Ms. No.94, dated 1.07.2003, IRRIGAION AND CAD (PW –COD)DEPARTMENT).

5.5 Technical Sanction

5.5.1 Notwithstanding anything contained in the relevant codal provisions, APSS and Government orders with regard to the procedure of according the technical sanction, enhanced powers are delegated to the field officers as follows:

EEs	Up to	Rs. 10 lakhs
S.Es	Up to	Rs. 50 lakhs
CEs	Up to	Value of the administrative approval.

(G.O.Ms. No.23 dated 5-3-1999 as amended in G.O.Ms. No.94, dated 1.07.2003, IRRIGAION AND CAD (PW –COD) DEPARTMENT).

5.5.2 The departmental officials should inspect works before technical sanction is accorded by the competent authority as per the monetary limits indicated below.

Name of the Post	Monetary limit
ENCs/Chief Engineers	Rs.500 lakhs and above
Superintending Engineers	Rs. 50 lakhs to below Rs.500 lakhs
Executive Engineers	Up to Rs.50 lakhs

Scrutiny of estimates should be taken up at random by authority one level higher than that competent to issue technical sanction to the estimates except in the case of Chief Engineer/ Engineer-in-chief.

(G.O.Ms. No.94, dated 1.07.2003, IRRIGATION AND CAD (PW –COD) DEPARTMENT).

5.6 Preparation of Tender Documents and Publicity of Tenders:

5.6.1 Before tenders for a work are invited a detailed estimate showing quantities, rates and amount of the various items of work and also the specifications to be adopted should be prepared and sanctioned. Modification or revision of estimates after call of tenders and comparison with the revised estimates should be avoided.

5.6.2 The tender documents should be kept ready before tender notices are issued.

5.6.3 The tender schedules should contain not only the quantities but also the rates worked out by the Department and the amount for each item and the total value of the contract. The tenderer will not be required to quote item-wise. He should indicate his willingness to do the work either at the estimated value of the work or at a percentage in excess of the estimated value of the work or at a percentage less than the estimated value of the work.

(G.O.Ms.No.132 TR&B(R&I) dated 11-8-1998)

5.6.4 All advertisements of Government Departments/Public Sector Undertakings/Government Companies should be released and payments thereof to be made by the Commissioner of Information and Public Relations Department only. (G.O.Ms.No.37 dated 22-1-94 of G.A. Department)

5.6.5 The form in which the purchase order/tender notice is placed/issued is made uniform and applicable to all Departments/Projects (As appended to APSS in Appendix No.I).

5.6.6 For the works up to Rs. 50 lakhs the tender notice shall be published in district editions of two Telugu dailies with the largest circulation. For works costing more than Rs.50 lakhs, the tender notices will be published in one Telugu daily and one English daily having circulation at the State level. To reduce the cost of each publication, the format for the tender notice in the Newspaper shall be finalized by the board of Chief Engineer, so that the cost of advertisement is kept to the minimum. (G.O.Ms.No.132 TR&B(Roads-I)dated-11-8-98.

5.7 Sale of tender forms

5.7.1 In order to maintain anonymity tender schedules shall be supplied on payment of cost to any contractor in tendering for the value of work not exceeding Rs. 10.00 lakh. The present practice of collecting EMD at the time of sale of tender schedules shall be dispensed with. Hereafter, the contractors shall play the EMD at the time of the filing their tender documents only the EMD shall be at the rate of 1% of estimate contract value and it shall be paid in full, without concession, either in the shape of a Bank Demand draft or unconditional Bank guarantee. (G.O.Ms.No.23 I&CAD(PW:COD)Department dated:05-03-1999)

5.7.2 Cost of tender forms and documents should be, brought to account immediately before the documents are issued to the intending tenderer. (G.O.Ms.No.1135 dated 29-10-1973)

5.7.3 Time allowed from the date of publication of tender notice to the date of receipt of tenders is reduced to 14 days for the first call and 7 days for the second call. (G.O.Ms.132 TR&B (R.I)Dept. dated 11-08-1998)

5.7.4 Introduction of “e” Procurement in Irrigation and R & B Department:

Government from time to time have been initiating several reforms in tendering process for public works with a view to bring in simplification of the procedure, greater transparency and healthy competition in procurement methods. As part of its ‘e’ governance initiative, Government identified ‘e’ Procurement as one of the key thrust areas and has taken up e – procurement Project as one of the core IT initiatives. Accordingly, Government entered into an agreement with M/s. CI India Pvt. Ltd., to develop, operate and maintain ‘e’ marketplace as a Pilot – Project initially, covering the following four departments:

- Andhra Pradesh Technology Services.
- A.P. State Road Transport Corporation.
- A.P. Health and Medical Housing and infrastructure Development Corporation.
- Irrigation, R&B Department.

Government in Information Technology & Communication Department vide G.O.2 read above have issued orders authorizing the above 4 departments to take up ‘e’ procurement through electronic process, stating that, notwithstanding any Existing provisions of A.P.PWD code as well as other orders and executive instructions in force “e” procurement processes shall be valid for procurement of goods and services and for entrustment of contracts for engineering, IT and other projects. It is also ordered that the participating departments shall issue necessary amendments / changes in the Existing procedure, as deemed necessary, for switching over from the conventional / existing procurement processes to equivalent „e” procurement process.

Accordingly, the above issue was discussed in the Board of Chief Engineers meeting held on 31.1.2003 and the Engineer–in-Chief (AW) I&CAD Department vide his letter 3 read above has submitted the draft G.O. containing the detailed guidelines / procedure to be followed

in conducting 'e' Procurement in Irrigation and R&B Departments as finalized by the Board of Chief Engineers in its meeting held on 31.1.2003.

Government after careful consideration of the Guidelines / Procedures to be followed in conducting 'e' procurement, as finalized by the Board of Chief Engineers hereby issue the following orders:-

As a Pilot project, the 'e' procurement shall be adopted in Irrigation, R & B Departments in respect of works coming under the purview of the Chief Engineers / Engineer –in – Chief / Commissionerate of Tenders, costing Rs.10 lakh and above taken up with State Government funds (including NABARD, AIBP) and NH Works costing above Rs.10 lakh, adopting the guidelines / procedures as indicated in the Annexure enclosed.

(G.O.Ms No. 36, I & CAD (PW-COD) DEPARTMENT dated: 07.03.2003 read with G.O.Ms No. 20, INFORMATION TECHNOLOGY & COMMUNICATIONS DEPARTMENT, dated: 06.07.2004)

2) All the existing codal rules, G.Os executive instructions applicable to the processing of conventional tenders are all applicable to the bids to be procured through 'e' Procurement, except to the extent modified / revised in the guidelines enclosed. In respect of works which are included in 'e' procurement tenders will not be received in the conventional method. The other circles will be included in 'e' procurement whenever the works are identified for tendering.

(G.O.Ms No. 36, I & CAD (PW-COD) DEPARTMENT, dt: 07.03.2003).

5.7.4.1 Notice inviting Tender (NIT) / Tender documents:

The Notice Inviting Tenders (NIT) and Tender documents etc., shall be in the Standard formats as applicable to conventional Tenders and will be finalized / approved by the officers competent as in the case of conventional Tenders.

5.7.4.2 Publication of NIT:

The officers competent to publish NIT in case of conventional tenders will host the NIT in the 'e' market place @ www.eprocurement.gov.in. Simultaneously, a notification should also be published in the newspapers, and "Tenderla Samachara Patrika" as per existing rules, in the following format, to affect economy:-

Government of Telangana

Irrigation & CAD Department

"e" procurement Notice

Name of the work :

Estimated cost : Rs.

Last date / Time for receipt of tenders:

Name and address of the SE concerned

Further details can be seen @ 'e' procurement market place @ "www.eprocurement.gov.in"

5.7.4.3 Time allowed for Tendering:

Time allowed from the date of hosting of NIT at 'e' market place to the last date of receipt of tenders at 'e' market place is 14 days, as in Conventional Tenders.

5.7.4.4 Registration of contractors with 'e' market place

The 'e' procurement market place provides an online self service registration facility to such of the suppliers, who are already registered with respective participating departments for supply of specified goods and services. As an incentive for early registration, basic registration by suppliers, that allows them to participate in the 'e' procurement process shall be enabled on the 'e' procurement market place without levy of any registration or subscription fee up to 31st March, 2003 or such later date, as may be decided by the Steering Committee. However, the 'e' procurement market place may levy charges for such value-added services as may be decided by the Steering Committee on 'e' procurement as laid down in the G.O. second read above.

5.7.4.5 Payment of cost of Tender documents:

The collection of cost of Tender documents is dispensed, as there is no physical supply of tender documents and also to have absolute anonymity of the bidders participating in 'e' procurement. The bidders can view / download the tender documents, from the 'e' market place.

5.7.4.6 Submission of Bids:

The bidders who are desirous of participating in 'e' procurement shall submit their Technical bids, price bids etc., in the standard formats prescribed in the Tender documents, displayed at 'e' market place. The bidders should upload the scanned copies of all the relevant certificates, documents etc. and in the 'e' market place in support of their Technical bids. The bidder shall sign on all the statements, documents, certificates, uploaded by him, owning responsibility for their correctness / authenticity. After uploading the Technical / Price bid, the attested copies of the uploaded statements, certificates, documents, (except the price bid /offer) are to be submitted by the bidder to the concerned Superintending Engineer, so as to reach before the date of opening of the price bid. Failure to furnish any of the uploaded documents, certificates, before the price bid opening date will entail rejection of the bid and forfeiture of EMD. Similarly, if any of the certificates, documents, etc., furnished by the bidder is found to be false /fabricated / bogus, the bidder will be blacklisted and the EMD forfeited.

5.7.4.7 Payment of EMD (Earnest Money Deposit):

The EMD payable along with the bid is 1% of the estimated contract value and the balance EMD payable at the time of concluding agreement is 1½% of contract value. The BG shall be from a Nationalized Bank valid for a period of 6 months. Zerox copy of the DD / BG is to be scanned and uploaded along with the Bid, and the original DD / BG shall be sent to the concerned SE so as to reach before the date of opening of the Price Bid. Failure to furnish the original DD / BG before price bid opening date will entail rejection of bid and blacklisting.

5.7.4.8 Technical bids / Price bids opening:

The Technical bids will be opened online by the concerned Superintending Engineer at the time and date as specified in the tender documents. All the Statements, documents, certificates, DD /BG etc., uploaded by the Tenders will be verified and downloaded, for technical evaluation. The clarifications, particulars, if any, required from the bidders, will be obtained either online or in the conventional method by addressing the bidders. The technical bids will be evaluated against the specified parameters / criteria, same as in the case of conventional tenders and the technically qualified bidders will be identified. The result of Technical bid evaluation will be displayed on the 'e' market place, which can be seen by all the bidders who participated in the Tenders. Similarly, at the specified date and time, the price bids of all the technically qualified bidders will be opened online by the concerned Superintending Engineer and the result will be displayed on the 'e' market place which can be seen by all the bidders who participated in the Tenders. Till the technical bids are opened, the identity of the bidders who participated in the Tenders are to be kept confidential. Similarly, till the price bids are opened, the bid – offers are to be kept confidential.

5.7.4.9 Processing of Tenders:

The Superintending Engineer will evaluate and process the tenders and submit to the concerned Chief Engineer / ENC (Irrigation) as done in the case of the Conventional tenders. The Chief Engineer / ENC (Irrigation) after his evaluation will finalize tenders up to Rs.200 lakhs and submit to the COT in case the value of tenders is more than Rs.200 lakhs. The COT will examine the bids and decides the successful bidder and communicates its decision to the Chief Engineer / ENC (Irrigation). The Chief Engineer / ENC (Irrigation) in turn communicates the Commissionerate of Tender's decision to the Superintending Engineer. All this process will be online.

5.7.4.10 Charges payable to M/s CI India Pvt. Ltd:

The service charges payable to M/s CI India Pvt. Ltd., as laid down in the GO 2 read above are as indicated below:

- a) Tender – hosting charges: Rs. 4,500 =00 per Tender
- b) Transaction fee : 0.24% of the Agreement value of the work The tender- hosting charges are payable by the concerned Executive Engineer on hosting of a Tender notice. The Executive Engineer shall arrange payment within a period of 30 days from the receipt of the bill from M/s C1 India Limited. In respect of tenders cancelled at any stage and record again only tender hosting charges are payable. The transaction fee is payable by the successful bidder through a DD drawn in favour of M/s C1 India Private Limited, Hyderabad at the time of conclusion of the agreement. The said DD shall be sent to M/s C1India Limited by the Superintending

Engineer who is entering into agreement with the successful bidder. Suitable provision should be made in the estimate of the concerned work to meet the above expenses by the bidder.

(G.O.Ms No. 36, I & CAD (PW-COD) DEPARTMENT, dt: 07.03.2003).

5.7.4.11 Relaxation in submission of Hard copies of uploaded documents:

Government from time to time have been initiating several reforms in tendering process for public works with a view to bring simplification of procedure, greater transparency and healthy competition to procurement methods. It has come to the notice of the Government that the reforms proposed with regards to submission of hard copies to the tender inviting authority before the price bid opening has not addressed the problem in totality. Since the bidder when obstructed by other bidders in submitting hard copies of uploaded documents EMD/DD/BG before opening of Price bid, he is not only disqualified for the tender but also his user ID is blocked for 12 months. The IT&C Department have suggested that since the tender is submitted with Digital Certificate authentication, department may do away with submission of Hard Copies of uploaded documents by participating bidders before opening the price bid. The Sub-Committee for standardization of work procurement Constituted has recommended the following modifications:-

Submission of original Hard Copies of the uploaded scan copies of DD/BG towards EMD by participating bidders to the tender Inviting authority before opening of the price bid is dispensed forthwith. All the bidders shall invariably upload the scanned copies of DD/BG in e-Procurement system and this will be the primary requirement to consider the bid as responsive. The Department shall carry out the technical bid evaluation solely based on the uploaded certificates/documents, DD/BG towards EMD in the e-procurement system and open the price bids of the responsive bidders.

The Department will notify the successful bidder for submission of original hard copies of all uploaded documents, DD/BG towards EMD prior to entering into agreement.

The successful bidder shall invariably furnish the original DD/BG towards EMD, certificates/documents of the uploaded scanned copies to the Tender Inviting Authority before entering into agreement either personally or through courier or post and the receipt of the same within the stipulated date shall be the responsibility of the successful bidder. The Department will not take any responsibility for any delay in receipt/non-receipt of original DD/BG towards EMD, certificates/documents, from the successful bidder before the stipulated time. On receipt of documents, the Department shall ensure the genuinity of the DD/BG towards EMD and all other certificates / documents uploaded by the bidder in e-Procurement system in support of the qualification criteria before concluding the agreement.

If any successful bidder fails to submit the original Hard Copies of uploaded certificates/Documents, DD/BG towards EMD within the stipulated time or if any variation is

noticed between the uploaded documents and the hard copies submitted by the bidder, the successful bidder will be suspended from participating in the tenders on e-Procurement platform for a period of 3 years. The e-Procurement system would deactivate the user ID of such defaulting successful bidder based on the trigger/recommendation by the Tender Inviting Authority in the system. Besides this, the Department shall invoke all Processes of law including criminal prosecution of such defaulting bidder as an act of extreme deterrence to avoid delays in the tender process for execution of the development schemes taken up by the Government. The information to this extent may be displayed in the e-procurement platform website.

Electronic payment of EMD in e- Procurement system as proposed by the IT&C Dept and Commissionerate of Tenders shall be made mandatory in due course. Separate orders will be issued in this regard. The Government after careful consideration hereby order for implementation of the modifications indicated at paras-5(i) to (vi) above with immediate effect. (G.O.Ms.No.174, IRRIGATION & CAD (PW-REFORMS) DEPARTMENT, Dated: 01 -09-2008)

5.8 Finalization of tenders

Tenders will be finalized by the EES / SEs for the works costing up to their powers to accord technical sanctions.

5.8.1 The Chief Engineer shall finalise the tenders up to Rs.2 crore. The tenders for the works costing more than Rs.2 crore will be referred to COT along with Technical Bid valuation and Price Bid evaluation for consideration. The COT shall scrutinize the tenders submitted by Engineers-in-Chief / Chief Engineers / Project Administrators in accordance with the conditions stipulated in the Tender document and in case of any discrepancy or non-adherence to the conditions, the same shall be communicated which will be binding both on the Tender concluding Authority and the Contractor. In case of any ambiguity, the decision take by the COT on tender shall be final.

This was however revised by the Government of Telangana vide G.O.Ms.No.12, Irrigation & CAD (Reforms) Department, dated 28.01.2015 that the tenders for all the works costing more than Rs.10 crore of all Engineering departments will be referred to Commissionerate of Tenders along with technical bid evaluation and price bid evaluation for consideration against Rs.2 crores limitation prescribed in G.O.Ms.No.94, I&CAD (PW-COD) Department, dated 01.07.2003. The tenders referred by the Engineering departments to the Commissionerate of Tenders shall be disposed by the COT within a week from the date of receipt.

5.8.2 Negotiations are not permitted to be conducted at any level

5.8.3 The time allowed from the date of publication of tender notices to the date of receipt of tenders is 14 days for the first call and 7 days for the second call. The tenders will be received

following three box system i.e., at SEs office, if the SP of the District where the SE's office is located and one in the office of the ENC or by post to the SE concerned.

(G.O.Ms. No.94, dated 1.07.2003, IRRIGATION AND CAD (PW –COD) DEPARTMENT).

5.8.4 Verification of certificates and experience:

A website will be created and maintained by Commissioner of Tenders wherein details of all contractors will be made available. Existing Contractors should submit the details of their experiences with an affidavit before the Commissioner of Tenders. The Commissioner of Tenders should place all these details on the web site. Those having objections should file before the Commissioner of Tenders, within a period of one month from the date of placement of experience particulars on the website. The Commissioner of Tenders should conduct the investigation on the objections of the contractors filed and final experience certificate should be displayed on the website within one month from the date of receipt of objections filed by the contractors. If any contractor submits false information, he will be liable for blacklisting. The Commissioner of Tenders should send proposals recommending to the Government with proper justification for black listing such of those contractors who furnish false information.

All Executive agencies in different departments will be given a password for making necessary entries in the website from time to time. Updation of the information on the website shall be done by the awarding authority as and when a work is awarded. Similarly if a work is cancelled, the same should also be reflected in the website by cancelling authority. Verification of certificates by sending to various agencies should be done away with while examining the eligibility. Instead, the information in the website should be used by all. This information should be cross checked by the Commissioner of Tenders every year. The Commissioner of Tenders will also examine the objections as and when received. Those giving false of objections shall be penalized up to an amount of Rs.10,000/-. Detailed orders in this regard will be issued separately for which proposals shall be sent by Commissioner of Tenders. The Commissioner of Tenders can also examine and have details verified suo-moto.

The Commissioner of Tenders should issue pass books to each contractor containing all the details covering experience, financial capacity etc. The contractors should enclose a Xerox copy of the pass book along with tender applications. Works awarded / cancelled should be entered in the passbook by an officer not lower than the rank of Executive Engineer. The details in the passbook should tally with those in the website. Duplicate pass books can be issued on payment of an amount of Rs.5000/ on the first occasion and Rs. 25,000/ - subsequently. Contractors who execute their works within time as per specifications shall be issued a merit certificate acknowledging their timely completion ensuring good quality. The merit certificate shall be given in a public function with due publicity to increase the prestige and standing of the contractors in the society.

While giving works on nomination the contractors who have received the merit certificates for quality and timely performance, shall be given preference over others. The performance of the contractors on the works shall be obtained and maintained in the offices of the Registering authorities viz., EEs, SEs, CEs and Board of CEs. The performance shall be assessed annually and the results shall be made use of while considering applications for renewal of contractor's registrations.

(G.O.Ms. No.94, dated 1.07.2003, IRRIGATION AND CAD (PW –COD) DEPARTMENT).

5.8.5 Qualification criteria:

To qualify for award of the Contract, each bidder in its name should have, during the last five years (specified financial years i.e. they should be immediately preceding the financial year in which tenders are invited)

- Satisfactorily completed as a prime contractor, similar works of value not less than Rs. /- @ (usually not less than 50% of estimated value of contract) in any one year.
- Executed in any one year, the following minimum quantities of works:
Cement concrete including RCC and PSC Cum. Earth work in both excavation and Embankment Cum.
- Usually 50 percent of the expected peak quantities of construction per year) Each Bidder should further demonstrate:
- Availability (either owned or leased or to be procured against mobilisation advances) of the following key and critical equipment for this work.

Note:

(Based on the studies carried out by the Engineer, the minimum suggested major equipment to obtain the completion of works in accordance with the prescribed construction schedule/mile stones are shown in the above list).

Availability of the Key personnel with adequate experience as required should be indicated based on the requirement for the work to be executed.

Liquid assets/credit facilities of not less than Rs. Lakhs (credit lines/letter of credit/solvency certificates from Banks etc. shall be equivalent of the estimated cash flow for three months in peak construction period).

EMD in the shape of Bank Guarantee in the standard format enclosed, for Rs..... (one percent of the estimated contract value) to be valid for the period as indicated at para 1.03 (d) i.e., period of completion plus defect liability period.

Experience relating to the works executed in State/Central Government departments or State/Central Government undertakings shall only be considered.

Reduction in qualification criteria to be followed in second and subsequent calls:

Whenever there is no response for the 1st call, and tenders are invited in the second call, the qualification/eligibility criteria such as (i) Amount of similar work; (ii) Minimum physical

quantities; (iii) Bid capacity; (iv) Liquid Assets /Credit facilities etc., may be reduced to 50% of that stipulated in the 1st call eligibility criteria.

The agencies/ contractors, who are registered in the State Governments/Public Sectors/Government undertakings through out the country shall be permitted for tendering, without insIsting on Registration in State Government.

(G.O.Ms No.73, IRRIGATION & C AD (PW-REFORMS) DEPARTMENT, dt:27.06.09)

5.8.6 Bid Capacity:

The sub contractors / GPA holder's experience shall not be taken into account in determining the bidders compliances with the qualifying criteria. The tenderers who meet the requirement qualification criteria will be qualified only if their available bid capacity is more than the estimated value. The available bid capacity will be calculated as under:

Assessed Available Bid Capacity : $A \times N \times 2 - B$ Where

A= Maximum value of civil engineering works executed in any one year during the last five years (updated * price level) taking into account the completed as well as works in progress.

N= Number of years prescribed for completion of the works for which tenders are invited.

B= Value of Existing commitments and ongoing works to be completed during the period of completion of works for which tenders are invited.

Note:

The statement showing the value of existing commitments and ongoing works as well as the stipulated period of completion remaining for each of the works listed should be issued by the Engineer-in-Charge of Government department / undertaking not below the rank of Executive Engineer or equivalent and countersigned by the rank of SE or equivalent. The statement to the above effect will be clearly enclosed to the Bidding document, and the tenderer shall furnish the particulars invariably in the same format failing which the tender shall be treated as incomplete and summarily rejected.

@ = at * Price level. Financial turnover and cost of completed works of previous years shall be given weightage of 10% per year to bring them to, price level * * The financial year in which bids are invited.

Even though the tenderer meets the above qualification criteria, he/she is subject to be disqualified if he/she is found to have misled or made false representation in the forms, statements submitted in proof of the qualification requirements of record of poor performance such as abandoning works not properly completed in the contract, inordinate delays in completions, litigation h1story and or financial failures and / or participated in the previous tendering for the same works and had quoted unreasonably high bid prices. In addition to the above, even while execution of the work, if found that the Contractor had produced false/fake

certificates of experience, he/she will be black listed and work will be taken over invoking clause 60 (a) of PS to APSS.

Tenders shall be valid for a period of 1/2/3 months as the case may be. Before the expiry of the validity, the authority competent to call for tenders shall seek for further extension of validity from the contractors and in case the validity is not extended his /her tender will not be considered and the EMD shall be returned. During the period of validity if any tenderer withdraws his tender, his/her EMD shall be forfeited.

5.8.7 Qualification criteria for works costing Rs.10 lakhs and below:

The qualification criteria at para.10 as well as modified procedure of collecting EMD in the shape of Bank Guarantee will not be made applicable for the works costing Rs.10 lakhs (ECV) and below. For above works single cover system shall be followed and the EMD shall be submitted along with the completed Tender Schedule.

5.8.8 Entrustment of works on selection basis:

The tenders received are found to have abnormally high percentage or within the permissible ceiling limits prescribed but under collusion or due to unethical practices adopted at the time of tendering process, shall be rejected. When such situation arises that even for second tender call, the reasonable percentage in fair and free environment is not received, the works will be entrusted on selection basis from out of the list of contractors who are possessing the eligibility criteria as specified in the tender document with proven track record will be selected in turns of 5 contractors at each time and will be asked to file their price bids at a specified place and time before the competent committees as stated at para 14.11 to entrust the work. The committee assessing the reasonableness of excess percentage quoted will recommend to award the work to the lowest of all the contractors participated. The contractor to whom the work is entrusted on selection basis will be provided necessary security and protection if requested at his cost.

Committees to entrust works on selection basis

For the purpose of above selection and entrustment of works to contractors the composition of the committees at District and State level and powers delegated to them are as under:

For the works costing up to Rs.1 Crore, a committee consisting of the Collector of the District in which work is located, the SE concerned with the work and two Superintending Engineers of two other works Departments viz., Panchayat Raj, R&B and the Irrigation will recommend to the competent authority to award the work.

For the works costing above Rs.1 Crore, the committee consisting of the COT and the Chief Engineer concerned and Engineer-in-Chief (Irrigation) will recommend and award the works on the selection basis.

Entrustment of works on nomination basis:

For giving works on selection lists of contractors with good track record will be prepared. In preparing these lists the volume of works done by the quality of works done by them, the

infrastructure possessed by them and also works on hand and their capability will also be considered. The list of contractors should be prepared and published in advance regularly i.e., once in 6 months. From these lists contractors will be called for negotiations in groups of 5 in rotation. The contractor offering to do the work at the lowest rate will be given the work. Time allowed for selection by the Committee will be 5 days. The total value of works grounded in any year including works given through tenders or through nomination shall not exceed the budget provided to each Division.

5.8.9 Sub-contracts:

If the prime contractor desires to sub-let a part of the work he should submit the same at the time of filing tenders itself or during execution, giving the name of the proposed Sub-Contractor, along with details of his qualification and experience. The Tender Accepting Authority should verify the experience of the Sub-Contractor and if the Sub-Contractor satisfies the qualification criteria in proportion to the value of work proposed to be sub-let, he may permit the same. The total value of works to be awarded on sub-letting shall not exceed 50% of contract value. The extent of subletting shall be added to the experience of the sub-contractor and to that extent deducted from that of the main contractor.

5.8.9 Price Adjustment:

Price adjustment shall be granted where administered prices are enforced and that too for works estimated at more than Rs.2 Crores and having completion period of more than 18 months. This should be applicable within the original contract period or extended period owing to departmental delays. This will not apply to cases attributed to contractors fault.

5.8.10 Mobilisation Advance:

The contractor shall have the facility of obtaining mobilization advance up to 10 % of contract value on works costing more than Rs.1 crore against Bank Guarantee which will attract suitable rate of interest. The advance and interest shall be recovered from the contractor's bills in appropriate instalments.

5.8.12 Construction materials:

The present practice that the contractor has to procure at his own cost the principal construction materials like cement, steel, bitumen, sand metal soils etc., shall continue.

5.8.13 Seigniorage charges:

The Seigniorage charges will be recovered from Contractors bills as per the rates prescribed in the contract documents for the materials used on the work only. The present practice of insisting for production of documentary evidence for having paid the seigniorage charges in items of GO Ms No. 243, Dated 8.5.1986 and in the absence of such production of the evidence, the imposition of five times penalty is dispensed with.

The Government of Telangana revised the rates of seinorage fees and Dead Rent vide G.O.Ms.No.67, Industries and Commerce (Mines-I) Department, dated 26.09.2015 as detailed below.

<i>Sl no</i>	<i>Name of the Minor Mineral</i>	<i>Unit</i>	<i>Rate of Seigniorage fee (In Rupees)</i>	
1	Building stone, Rough Stone/ Boulders, Road Medal and Ballast	M3/MT	75/50	
2	Dimensional stone used for Kerbs & Cubes	MT	100/mt	
3	Lime Kankar/ Lime Stonem	MT	The rate of royalty as applicable to Limestone(other than LD Grade) in respect of major Minerals as per the 2 nd Schedule of the Mines & Minerals (D&R) Act, 1957.	
4	Marble	M3/MT	250/100	
5	MOSAIC CHIPS	MT	45	
6	Morrum/Gravel & Ordinary Earth	M3/MT	30/20	
7	Ordinary Sand	M3/MT	40/27	
8	Shingle	M3/MT	25/17	
9	Chalcedony Pebbles	M3/MT	75/50	
10	Fullers Earth/Bentonite	MT	150	
11	Shale/Slate	MT	150	
12	Rehmatti	MT	25	
13	Limestone slabs	M2/MT	8/100	
14	Brick Earth used in the manufacture of Bricks including Mangalore Tiles.		Rs.6000/- per Kiln per annum	
15	Granite useful for cutting and polishing	Gangsaw above 270 x above 150	Below 270 x below 150	Equal and below 70
A	Black Granite	3000	2300	1200
B	Colour Granite	2300	2000	1000

The rates shown at Sl.No.15 shall come into force w.e.f., two years from the date of this G.O.until then the rates ordered in G.O.Ms.No.198, Industries & Commerce (M.I) Dept., Dt:13.08.2009.shall continue to be in force.

SCHEDULE-II

Rates of Dead Rent

<i>Slno</i>	<i>Name of the mineral</i>	<i>Rate of Dead Rent per hectare per Annum. (in Rs.)</i>

1	<i>Black Granite</i>	<i>1,00,000</i>
2	<i>Colour Granite</i>	<i>80,000</i>
3	<i>Lime stone other than classified as Major Minerals used for Lime burning or building construction purposes, Marble, Boulders, Building Stone including Stone used for Road Metal, Fullers Earth, Ballast Concrete and other Constructions purposes, Slate and Pyllites.</i>	<i>50,000</i>
4	<i>Gravel Morrums, Shingle, Limestone Slabs, used for Flooring purposes, Chalcedony Pebbles used in the building purpose and Rehmatti.</i>	<i>40,000</i>

The rate of royalty revised by Government of India with effect from 01.09.2017 in respect of (31) Major Minerals now declared as Minor Minerals and transferred to the State Government in the extra – ordinary issue of the Gazette Government of India Notification No.423(E) dated:10.02.2015 shall be continued, until further orders.

5.8.15 Liquidated Damages:

The liquidated damages are imposed on the contractors as per the present practice basing on the milestones.

5.8.16 Payment of bills:

The contractors will be permitted to submit their work bills once in a month and payment will be made after proper check of quantity and quality within a reasonable time limit. The final payment of the contractor should not be delayed for want of certificate from the quality control staff.

5.8.17 Payment for excess quantities:

Payments for execution of quantities, in excess of agreement quantities, should be made without delay and the E.Es should take prompt action to obtain the approvals of the competent authority to make the payment to the contractors. Failure in this regard shall result in disciplinary action being taken against the concerned engineers. The Chief Engineers should ensure proper performance of the Quality Control Wing and see that they give the certificates in time on pain of disciplinary action to avoid delays in the payment of final bills to the contractors.

5.8.18 Quality Control:

The Contractor and the Engineers in charge of construction / maintenance are responsible for the quality of construction / maintenance. The departmental executing Engineers will act as Quality Assurance Engineers. The Quality Control Officials are accountable for the quality of the work where certification issued by them. They should also act as Quality Audit Engineers.

If external agencies are engaged, for conducting quality audit, the following methodology given below should be adopted.

Before inspecting the work, the external agency should inform the Head of the Department. It should conduct quality control tests as per the standard procedures in the presence of Construction and Quality Control Engineers and the Contractor who is executing the work. The observations of the external agencies on the quality of work should be recorded then and there and signatures of all the concerned obtained as a token of acceptance of the observations.

For all works costing more than Rs. 2 crores, the Contractor shall submit quality plan and also show proof of owning Quality Laboratory or having tie –up with an established Quality Laboratory. The details of Quality Control Test Equipment required should be incorporated in the Tender Documents. The equipment needed should be standardized by individual departments depending on nature of work.

All the major contractors should be encouraged to have ISO certification and those having the same may be given preference in awarding of works.

5.8.19 Defect Liability Period:

The contractors are responsible for the quality of works executed till the expiry of defect liability period, which is now prescribed as two years for both original works and maintenance works. Each department should formulate and issue guidelines based on the nature and life span of works.

5.8.20 Training:

Up to one percent of the budget allocation shall be set apart to train Engineers of the Departments at all levels for introducing new technologies, practices, materials in execution of works.

5.8.21 Site Order Book:

The site order book shall be maintained as provided for in the Codes and it should contain the remarks and instruction of all engineers who visit the work viz., the EE, SE, CE and Engineer-in-Chief.

5.8.22 Committees to resolve inter-departmental problems:

In order to expedite execution of works and to remove any difficulty that contractors may face in obtaining clearances and other infrastructure facilities from various departments such as shifting of power lines, procurement of blasting materials, power supply connection etc., at the District level, the Collector will formulate Committees and take necessary steps. The Chief Secretary will have periodical review with the concerned Secretaries and Chief Engineers in order to resolve the difficulties which could not be sorted out at District level. The Heads of the Departments are directed to constitute suitable committees at different levels for speedy settlement of the different kinds of or levels of disputes of technical nature by the Chief

Engineers concerned. (G.O.Ms. No.94, dated 1.07.2003, IRRIGATION AND CAD (PW –COD) DEPARTMENT)

5.9 POWERS OF OFFICERS

5.9.1 The government sanctioned the following enhanced powers as noted against each:-

Sl. No	Nature Of delegati On of powers	Chief Engineer (CE)	Superintending Engineer(SE)	Executive Engineer (EE)
1	To deal finally with all excesses over estimate s	Up to 15% of the original estimate sanctioned by him or higher authority. CE may also pass excess expenditure up to a limit of Rs. 10000 irrespective of the sanctioned estimate	Up to 10% of original estimate sanctioned by him or higher authority. SE may also pass excess expenditure up to a limit of Rs. 6000 irrespective of the sanctioned estimate	Up to 5% of the sanctioned estimate and within the limit of his power to sanction estimate He may technically. also pass excess expenditure up to a limit of Rs. 2000 irrespective of the sanctioned estimate. EE has no powers to sanctioned any excess over a RE sanctioned by a higher authority. (G.O.Ms.No.292, dt.08-09-1980)
2	Acceptance of Tenders for Electrical Works	Up to technically sanctioned estimate plus such percentage as Chief Engineer is competent to sanction under excess over estimate Note: The percentage of ceiling varies from work to work. For details, the G.O. ibid (G.O.Ms.No.1007, dt.05.11.1976) may be referred.	Up to Rs. 1 lakh	Up to Rs. 5000 (G.O.Ms.No.1007, dt.05.11.1976)

5.9.2 Once a work is administratively sanctioned by Government and the estimate is technically sanctioned by the competent authority and a contract is concluded for the execution

of the work, no work should be stopped or slowed down (rare emergencies exceptional) or payment to contractors withheld or delayed, even if there is need for a revised estimate to be sanctioned by the Government. Such payments should, however be subject to the existence of adequate budget provision within the relevant head of account. When the expenditure on a work is likely to exceed the amount of contract by such excess as can be passed by the appropriate authority over the technical sanction, the Executive Engineer, Superintending Engineer, or Chief Engineer as the case may be, should inform the authority competent to sanction the revised estimate, the approximate extra commitment involved and follow up with a revised estimate as early as possible.

(G.O.Ms.No.1007, dt.5-11-76, read with G.O.Ms.No.292, dt.8-9-80)

5.10 TENDER PREMIUM

5.10.1 Ceiling of Tender Premium:

For all works the ceiling of tender premium shall be 5%. As per the guidelines, even after two calls if the tender premium quoted is more than 5%, the matter should be refer to the Government and the Government may order for a fresh call or may constitute a committee to avoid the work on nomination to a reputed contractor from the list to be maintained by the Department on the basis of performance of contractors. (Amendment to GOMs No. 94 by GOMs No. 133, dt: 20.11.2006)

5.11 Discount Tenders:

(Percentage less than estimated cost): Tenders up to 25% less than the estimate may be accepted but for tenders which are less by more than 25% of the estimate, a bank guarantee or demand draft for the difference between the tendered amount and 75% of the estimate value should be taken so that the tenderer leaves the works midway and the department is forced to call for tenders for the work once again, the bank guarantee or demand draft shall be used to finance the re-tendered work. (Amendment to GOMs No. 94 by GOMs No. 133, dt: 20.11.2006)

5.12. COMMITTEES TO RESOLVE INTER-DEPARTMENTAL PROBLEMS

5.12.1 In order to expedite execution of works and to remove any difficulty that contractors may face in obtaining clearances and other infrastructure facilities from various departments such as shifting of power lines, procurement of blasting material, power supply connection etc., at the district level, the Collector will formulate committees and take necessary steps. The Chief Secretary will have periodical review with the concerned Secretaries and Chief Engineers in order to resolve the difficulties which could not be sorted out at district level. The Heads of Department are directed to constitute suitable committees at different levels for speedy settlement of the different kinds of or levels of disputes of technical nature by the C.Es concerned.

5.13. Types of contracts

5.13.1 Methods of execution of works: The works executed by the department are carried out by one of the under mentioned three methods as detailed in para 150 of APWD Code:

- Departmentally, by the employment of daily labour
- by piece work agreement in form PWD V-51 (form K-2) and
- by an agreement in Form PWD-53 (form LS) based on a lump-sum tender system, as defined in the Andhra Pradesh Standard Specifications.

5.13.2 The distinguishing features of the lump sum contract are

i) the contractor agrees to execute the work based on specifications and drawings within a time schedule and is responsible for the technical excellence of the execution, by employing his own persons for the supervision of the work the intermediate payments made to the contractor are in the nature of advance payment; the contractor is liable for penalties both for slow progress in work and defect in construction and efficiency. While in the case of piece-work agreement, the penalties relate to forfeiture of Earnest Money Deposit (EMD), security deposit and levy of penalties at 5% as per terms of agreement, in the case of lump sum contracts the penalties are more rigorous. Not only fines are levied for slow progress at the rates prescribed in the agreement but also the contract may be terminated and the work got done by another agency and the extra cost recovered from the original contractor as laid down in clauses 60 and 61 of the preliminary specification to Andhra Pradesh detailed Standard specifications.

Note: Extra expenditure for purpose of recovery under clause 61 of PS to APDSS will be the actual expenditure incurred in completing the work including the quantum of deviation. Certain percentage viz., 2.5% of the value of work done is withheld from the final bill for 2 years to observe the efficiency of work executed.

If it is not possible to execute lump sum contracts for want of detailed plans, delay in finalisation of quantities, approval of lump sum tenders etc., K2 agreements should be entered into on grounds of urgency so as to enable the department to take up the execution of works. In such cases, the following clause should be incorporated in the K2 agreement as a measure of safety.

“This contract being a provisional agreement, will stand superseded, on entering into L.S agreement and acted upon accordingly. If the contractor fails to conclude the L.S agreement within two weeks from the date of receipt of the notice from the department, it will entail forfeiture of the E.M.D. and the cost of work done. Further, the contractor is liable to reimburse the extra cost, incurred, if any, by the department on completing the balance work”.

(G.O.Ms.No.1748, dt.20-8-63, G.O.Ms.No.631, dt.3-6-75)

5.14 FORM OF CONTRACT:

5.14.1 As regards the form of contract to be entered into, Government have ordered that

i) full discretion shall be given to the officers of the PWD to use any suitable form of contract, lump sum or piece work system, as the case may be in the execution of works costing Rs.1 lakh and less and for transport contracts up to Rs.5 lakhs. Works costing more than Rs.1 lakh (value of contract) should generally be let out on the lump sum contract and when a work costing more than Rs.1 lakh (value of contract) is proposed to be let out in K2 contract for any special reasons, the officer competent to accept such contract, should obtain the prior approval of the next higher authority in writing.

However the Chief Engineer has full powers in this regard.(G.O.Ms.No.859 PW(Y) Deptt., dt.30-4-79-File WMI(A)/1-2/70-71) read with G.O.Ms.No.1007, dt.5-11-76).

5.15 Registration and classification of contractors

5.15.1 Registration:

The contractors registered will be called as contractors of all Engineering Departments of Telangana State Government. The registration of the contractors will be done in the following categories:

- Civil contractors (of all public works departments)
- Public Health Engineering.
- Furniture
- Electrical
- Transport
- Fabrication and Erection of structural scheme.

Registration of contractors in each category will be done in the following classes, separately under each one or more of the classes as they may desire.

Special Class, Class –I, Class II, Class- III, Class-IV Class-V

The contractors of Special Class, Class I, Class II and Class III are eligible to take up the works throughout the State. The contractors of Class IV and Class V can tender for works only within the circle where registration is done.

Procedure for registration: The contractor shall submit an application in the proforma given in the **Annexure-IV** to the concerned authority together with necessary documents in support of his application (as mentioned below). The authority competent to register the contractor in the concerned class will take action to verify the credentials and antecedents of the contractor and issue suitable order registering the contractor. Before registering in any class or category the contract shall be asked to sign in the code of conduct which shall be appended to the divisional copy of the APDSS. A draft form for issuing orders of registration to be adopted by the registering authority is given **in Annexure-VI** of the G.O. The following documents shall be submitted along with the application seeking registration as a contractor in a particular class or category.

Application form (in the proforma prescribed in the **Annexure-VI**) with Rs.2/- court fee stamp, affixed thereon.

Proof of payment of registration fees

Government of Telangana vide G.O.Ms.No.67, dated 20.04.2015 issued orders for enhancement of the processing fee for registration of contractors. The details are as follows:

<i>S. No.</i>	<i>Description of item</i>	<i>Special Class</i>	<i>Class I</i>	<i>Class II</i>	<i>Class III</i>	<i>Class IV</i>	<i>Class V</i>
<i>1</i>	<i>Registration fee</i>	<i>30,000</i>	<i>20,000</i>	<i>10,000</i>	<i>6,000</i>	<i>5,000</i>	<i>5,000</i>

Government of Telangana vide G.O.Ms.No.24, Irrigation and CAD (Reforms) Department, dated 31.01.2015 enhanced the monetary limits of works for different contractors. The details are as follows:

Sl. No.	Description	Monetary Limit in Crores
1.	<i>Special Class</i>	Up to any amount
2.	<i>Class I</i>	30.00
3.	<i>Class II</i>	6.00
4.	<i>Class III</i>	3.00
5.	<i>Class IV</i>	1.00
6.	<i>Class V</i>	50.00 lakhs

Solvency Certificate:

The Solvency Certificate for the amounts shown under item (iv) of the Annexure-III shall be obtained from the officer of the Revenue Department, of the rank not below the of the Tahsildar in the proforma in Annexure(V)(a). The certificates may also be obtained from a scheduled bank in the proforma given in the Annexure (V) (b). The Solvency certificate shall be valid for a period of one year from the date of their issue. The solvency for registering various class of contractors is fixed as 10% of the minimum monetary limit of that class. This will apply to all future registrations and renewal of registrations by Existing contractors. A list of works executed by the contractor during the past five years duly certified by the concerned departmental Engineer of the rank of an Executive Engineer or equivalent officer.

Latest Income Tax and GST Clearance Certificate:

The names of the firms / individuals shall be registered and included in the approved list of contractors only when they produce income tax clearance certificate in the form approved by the Income Tax authorities. No exemption from this requirement shall be granted even to the Cooperative Societies. Copy of the partnership deed in the case of registration of partnership /

partners / companies. 'Form C' issued by the Registrar of Firms in the case of partnership / companies. A copy of the Engineering Degree in the case of employed Engineering Graduates.

Rules for registration

(i) The registration of contractor in any class once done shall be in force only for five years in that particular class. The contractor shall register himself afresh every five years thereafter. The registration shall however be done only twice in a year i.e., January and June. The existing contractors shall be given six months time for registration as contractors afresh under these rules, from the date of issue of this order.

(ii) While submitting the application for fresh registration in the same class or for registration in higher class, the contractor shall furnish the certificate of his performance issued by the Executive Engineer in charge of the works as detailed in Annexure.III, Sl.No.5 and Note.II against the item. The cases for firms or companies, through newly framed may be considered provided concerned firms or companies have recruited or already consist of highly skilled professional Engineers and experts, in their organization. A Contractor can register his name in more than one category.

The contractor shall not apply for registration in his name and also in the name of partnership / company which runs in his name in the same class or category at a time. Contractors of other States shall get themselves registered in this State before offering their tender for works in this State.

Application of the contractors for registration in Special Class and Class-I may be recommended by the individual Chief Engineers to the Engineer-in-Chief for placing them before the Committee of ENC's for its consideration and decision.

The contractor already registered in a particular class can form partnership firms in the same class and category only by a separate registration foregoing his individual registration at the time of biennial registration as mentioned in Class (i) above.

In the case of partnership / Companies any changes in the partners shall be reported to the registering authorities within one month of the date of such change. The applicant is required to furnish the following certificate.

“Certified that I will employ qualified technical personnel with suitable complimentary staff to meet the requirements of the works as specified in the Tender documents.

Registration of contractors which is presently being done in each specialization in Special Class and Class-I is dispensed with. In future, Registration under these categories will be done without any specialization as is being done in respect of other categories of contractors. Existing contractors of Special Class and Class-1 will be eligible for all categories of works unless otherwise specified in the tender process, specialization if required for any works shall be specified clearly in the qualification criteria in the tender process. The Registration of contractors shall be done as detailed in **ANNEXURE -I.**

5.15.2 Demotion of contractors:

(a) The registering authority may demote a contractor to a lower class if he fails to execute contractor or executes it unsatisfactorily or is proved to be responsible for constructional defects (or) has no longer adequate equipment, technical personnel or financial resources (or) violates any important conditions of contract is responsible for any other matter which may justify his demotion to a lower class. The fact of and the reasons for demotion shall be communicated and two weeks' time shall be given to the contractors to offer his explanation before demoting him. Copies of the order together with a memorandum containing reasons for demotion should be forwarded to the Government through the concerned Chief Engineer and to the Engineer-in-Chief.

In case of contractor registered for more than one category or work (viz., civil, sanitary, electrical, transport and fabrication and erection of structural steel), the order regarding demotion would apply only to one category unless otherwise stated in orders.

5.15.3 Suspension of business:

Suspension of business with a contractor may be ordered by the registering authority for any indefinite period pending full enquiry into the allegations, the registering authority is prima facie of the view that the contractor is guilty of an offence in relation to the business dealings which if established would result in his removal, black listing and it is not desirable to continue business with the contractor.

The reasons for suspension of business shall not be intimated to the contractor and two weeks time shall be given to him to offer his explanation. If the explanation is not satisfactory, action may be initiated for suspension of business. Copies of the orders together with a memorandum containing reasons thereof should be forwarded to the Government through the concerned Chief Engineer and Engineer-in-Chief.

Suspension of business with the contractor for a specific period may be ordered to the registering authority when the contractor is responsible for minor technical offence(s) or when he fails to furnish the I.T.C. In such a case the fact of the suspension should be communicated to the contractor giving reasons for the same. This action need not be reported to the Government.

5.15.4 Removal from the approved list:

Registering authority may remove the name of a contractor from the approved list, if the contractor has on more than one occasion failed to execute a contract or has executed it unsatisfactorily (or) fails to abide by the conditions of registration or is found to have given false particulars or information at the time of registration.

- Persistently violates any important condition(s) of the contract; or
- Is proved to be responsible for construction defects in a number of cases;(or)

- Is declared or in the process of being declared bankrupt in solvents wound up dissolved or partitioned (or)
- Persistently violates the labour regulations and rules;

The reasons for removal from the approved list shall be intimated to the contractor and two weeks time shall be given to him to offer his explanation. If the explanation is not satisfactory action may be taken to remove the contractor from the approved list. The EMD shall also be forfeited. Copies of orders together with a memorandum containing reasons therefore should be forwarded by the registering authority to the Government through concerned Chief Engineer and the Engineer-in-Chief. In respect of contractors registered various categories of work (civil, technical, transport and fabrication and erection of steel structure) orders regarding the removal should apply only to the particular category unless otherwise stated.

5.15.5 Blacklisting :

Only the administrative department will black list the contractor. The head of the department (Chief Engineer) may blacklist a contractor with the approval of Government, where there are sufficient and strong reasons to believe that the contractor or his employee has been guilty or malpractice (s) such as irregular practices including formation of ring, bribery corruption, and fraud including substitution and in tenders smuggling, pilfering of unauthorized use of disposal of Government materials issued for specific work.

A contractor continuously refuses to pay Government dues without showing adequate reasons.

A contractor or his partner or his representative has been convicted by a court of law for offence involving moral turpitude in relation to business dealing (s).

Security consideration including suspected disloyalty to the State as warrant.

The EMD shall also be forfeited.

(b) Contractor should be given an opportunity of two weeks time for offering his explanation on the proposal to blacklist him before taking final decision. Copies of such orders together with the reasons for the action taken and also the names of the partners and the list of allied concerned coming within the effective influence of the blacklisted contractors will be forwarded to the Secretary of the concerned administrative department who will in turn intimate the other Departments in the Government for ordering immediate cessation of all future business with the contractor.

Decision for black listing of a contractor under sub-para 6.1(c) will be taken by the concerned administrative department and communicated to the concerned Chief Engineer giving reasons for blacklisting the contractor as also the names of all the partners of the contractor and allied concerned coming within the effective influence of the black listed contractor. Blacklisting of orders would however be issued by the Chief Engineer. The Chief Engineer shall intimate the reasons for blacklisting of the contractor concerned.

Action for blacklisting a contractor should be taken only where it is established that the offence was committed in order to secure advantage to the contractor and not where the object may be to secure advantage to any employee or representative of the contractor personally.

Care should be taken to see that the contractor blacklisted does not transact business with Government under different name or title.

The administrative department in the Government while examining any case of blacklisting of a contractor may refer doubtful marginal cases for advice to the Law Department wherever justified necessary.

Once the blacklisting orders are issued they should ordinarily not be revoked unless:-

- i) On review the Government is of the opinion that the punishment already undergone is adequate in the circumstances of the case.
- ii) in respect of the some offence, the accused has been honourably acquitted by a court of law.

The Engineer –in-Chief shall be responsible for keeping up to date list of black listed contractors (including those black listed at the instance of the Government) and circulate the list periodically to the Chief Engineers of al the engineering departments. The Engineer –in-Chief will also circulate every quarter a list of additions and revocations during the previous quarter.

5.15.6 Restoration:

Upgrading a demoted contractor revoking the suspension of business, restoring registration, withdrawal of blacklisting etc., may be considered at an appropriate time on the merits of each case by the authority who has passed the original orders. Copies of restoration orders should also be furnished to the concerned administrative department of the Government.

5.16. Registration and allotment of works to the Co-operative societies of Scheduled Castes and Scheduled Tribes and Individuals:

5.16.1 The following rules are framed vide G.O.Ms.No.290 T R&B(C1) Deptt, dt.20-4- 77 superseding earlier orders.

The members of the labour contract or Harijan and Girijan Co-operative societies may be treated as Class-III contractors.

No solvency certificate need be insisted upon for the purpose of Registration.

Exemption from collecting EMD up to Rs.1 lakh in the case of individuals and Rs.5 lakhs in the case of societies may be allowed.

Works may be let out the societies on nomination as in the case of unemployed Engineers i.e., up to a limit of Rs.25,000/- by Executive Engineers up to a limit of Rs.50,000/- by Superintending Engineers and up to a limit of Rs.1 lakh and up to Rs.5 lakhs in the case of individuals/societies by Chief Engineer.

At least 15% of the works may be reserved for entrustment to the individuals or societies of weaker sections. And 6 Advances may be given to the societies comprising the youth and the labour either directly or through the agencies like the Scheduled Castes Co-operative Finance Corporation. The amounts advanced should be recovered from the work bills. Officers- in-charge of the works should closely guide and help the societies in executing the works entrusted to them.

➤ The identification of the individuals, formation of societies etc., will be taken care of by the co-operative department with the active guidance of the District Collectors.

WATER USERS ASSOCIATIONS

5.16.2 With a view to create Farmer's organisations in all Irrigation Systems to take up maintenance and water management, Government enacted Andhra Pradesh Management of Irrigation Systems Act 1997 (APMIS) (Act 11 of 1997). **(GOMS No. 952 dated 23-07-97)**

In case of WUAs which have had unanimously elections for the post of President and all the territorial constituency members, an incentive amount of Rs. 50,000/-per WAU was sanctioned by Government to take up repair and maintenance works within the area of operation. In respect of WUAs other than those unanimously elected, a corpus fund of Rs.30,000/- to such of those WUAs was released to undertake immediate repairs/restoration/maintenance works. This payment is to be set off against further collection of water rates collectable from water uses in the area secured by WUAs.

(GOMS No.987 dated 07-08-1997)

Guidelines:

The Competent authority of a WUA shall be an officer of Irrigation department not less than the rank of A.E/A.E.E.

Normal operation and maintenance works such as de-silting, weed removal, embankment repairs revetment, repairs to shutters, masonry and lining cleaning, oiling of screw greasing shutters, painting of hoists and gates, emergent breach closing works.

The Competent authority shall assist the WUA in preparing the detailed list of works to be undertaken and prepare the estimate based on current SSRs.

The delegation of powers for giving technical clearance is as under "-

1)A.E/A.E.E.	up to Rs. 50,000/-
2)D.E.E	Rs. 50,000/- to Rs. 1,00,000/-
3)E.E.	Rs. 1,00,000/- to Rs. 5,00,000/-
4)Superintendent Engineer	above Rs. 5,00,000/-

The WUA shall open an account in a Nationalised or Co-operative Bank and shall be operated jointly by the President and Managing Committee member.

The competent authority shall maintain an LF Book for initial, level and an M Book for recording for works done by WUA and he is responsible for maintenance of all the specified records.

5% of amounts sanctioned (i.e. Rs.50,000/Rs.30,000) may be sent towards administration expenses.

All works done by WUA shall be sent to Social Audit (**G.O.Ms.No.994 dated.1d2-8-97**)

No seigniorage fee, Turnover Tax, Income Tax are leviable on the works done by a WUA.

No amounts are to be deducted towards Insurance premia.

However performance security is payable in case of works executed under (W-5) agreements.

while O&M Works done by WUA/DC do not require quality checks by Quality Control divisions, Minimum rehabilitation works shall have a quality control certificate for works done.

The WUAs shall contribute 15% of the estimated cost of works for O&M works.

5.16.2 Entrustment to co-operative societies of 'wadderas'

The concessions of co-operative societies of scheduled castes and scheduled tribes are extended to co-operative societies of Wadderas.

(Memo No.1167-C1/77-2, TR&B[C1] Department, dt.24-8-77)

Government of Telangana vide G.O.Ms.No.29, dated 26.05.2017 issued orders for nurturing the spirit of entrepreneurship among SC/ST, Waddera and Sagara (Uppara) contract cooperative societies and Individuals belonging to the said communities and measures to promote participation in the works of all the Engineering departments. The G.O. states that

- *The registration for SC/ST, Waddera and Sagara societies should be hassle free and no work experience and Solvency certificates need to be insisted.*
- *The above societies are exempted from payment of EMD to works up to Rs.50 lakhs*
- *At least 15% of works may be earmarked to the individuals belonging SC/ST/Waddera/Sagara contractors costing up to Rs.20 lakh and Societies of these communities up to Rs.50 lakh.*
- *At a time single work will be given to the labour societies and individuals. No second work will be given unless the work on hand already entrusted to them is completed to the extent of 50%.*

5.17 Communication of sanctions relating to contract

5.17.1 Sanction to contract agreement accorded by officers higher than the Divisional Officer should be communicated by them to the Accountant General. Sanctions relating to contracts entered into by the Divisional Officer for execution of works are also communicated to Audit in cases where the tenders are accepted by authorities higher than the Divisional Officer. (Para 95 of A.P.W.A. Code)

5.17.2 Copies of agreements should be received from the authority which accepts them duly attested by the same authority or by the authorised Gazetted Officer, subordinate thereto.

Note: Sanctions to contract agreements referred to in sub-para 2 below para 95 of APWA Code should be construed as copies of contract documents and they should be accompanied by proceedings awarding the work issued by the concerned authority. (C.E.PWD/R&B/Circular T2/GDN/Tend/65-30, dt.5-6-67: File WM/15-23).

5.17.3 To enable Audit to collectively ensure that all agreements are received in Audit in time, both the Chief Engineers/The Superintending Engineers should send to Audit lists of agreements entered into by them in the form given below on or before 7th of the month preceding that to which the agreements relate. Even agreements entered into by EEs relating to tenders accepted by SEs should be communicated to Audit, vide para 95 of APWA Code (Memo No.1339/C1/82-1, dt.29.8.82 from Transport, Roads and Bldgs (C1) Department, Government of A.P WMS/Codes/IV/82-83).

Name of the Division	Name of the Work	Name of the Contractor	Number & date of Agreement	Date of despatch of the agreement to A.G	In case not sent, reasons for delay
1	2	3	4	5	6

A register to watch the receipt of the agreements should be maintained and submitted to B.O. by 10th of every month.

5.18 Special conditions for incorporation in the agreement

It should be seen that the following clauses is invariably included in the agreement:

5.18.1 “In case of overpayment or wrong payment made, if any, to contractors due to wrong interpretation of the provisions of the contract, the APDSS or otherwise, such unauthorized payment will be deducted in the subsequent or final bill of the work or failing that from the bill under any other contract with the Government, from the contractor, or any time thereafter from his security deposits available with the Department”. (Govt.Memo No.1027/Y/71-3, dt.30-10-71, and G.O.Ms.No.1007, dt.5-11-76 WMC/11/XII).

5.18.2 If the department intends to supply any tools and plant to the contractor on hire, the details of such T&P, the hire charges leviable and the terms of hiring them should invariably be specified in the tender schedules and in the agreement, and the same should not be varied during the contract period. If, however, the department, is not able to supply any of the T&P indicated in the agreement, the contractor shall claim no compensation, but can claim reasonable extension of contract time. If any other T&P that are available with the department but not indicated in the agreement, are supplied to the contractor during the course of the work,

the hire charges and the conditions of hire prevailing in the department at the time of actual supply shall be applicable. (P.S 35 to A.P.D.S.S.)

5.18.3 The practice of mentioning quantity for construction of materials and water along with the leads in the tender schedules is dispensed with. The contractor should procure the required material from quarries of his choice as per specifications mentioned in the tender schedules. G.O.Ms.No.182 I&CAD(PW-COD)Department dated 27-09-1997.

5.18.4 Agreements providing a single rate for the removal of old work and repacking with a fixed proportion of old and new stones are defective and lead to trouble, as after completion of work, it is not possible to verify whether the specified proportion of new stones was actually used on the work. In the agreements, the items should be distinguished, providing rates for packing with old and new stones separately. Similar remarks apply to work of roofing with old and new tiles. (C.E.'s Circular Memo No.1483/30 A.E.P., dated 14-8-1930)

5.18.5 As regards items for spreading gravel, etc., and revetment works, the item in the agreement should provide for stacking for pre-measurements so as to enable a correlation between the work billed for and the quantity of stacked materials.

5.18.6 In the case of contracts for supply of materials, a safety clause to the effect that in the event of failure to supply goods at the place of delivery, the consequent extra expenditure should be borne by the suppliers should be introduced. If the failure is due to circumstances beyond the control of the contractor, the contracting officer may instruct the suppliers to deliver the goods by longer route or to a deferent place. (G.O.Ms.No.1020 PWD, dt.29-5-70)

5.18.7 The rates in the agreements should be for finished items of work including the cost of materials.

5.18.8 Price escalation is permitted in contracts for works costing over Rs.200 lakh with a period of completion exceeding eighteen (18) months. Tenders would be called for only where land acquisition work is completed, design, detailed estimates are ready, and funding is assured. Milestones and liquidated damages are to be stipulated for works costing more than Rs.50.00 lakhs. The Board of Chief Engineers are to evolve a formula for calculation of price escalation and obtain approval of the Government.

(G.O.Ms.No.182 Irrigation & CAD (PW-COD)Dept. dated 27-09-1997)

5.18.9 As contemplated in para 327 of APWA Code, the agreements should be definite as regards the following particulars whenever supply of materials departmentally is agreed to.

The materials to be supplied for use on the work

Place of delivery

Rate

5.18.10 The work executed by the contractor under the contract shall be maintained at the contractors risk until the work is taken over by the Executive Engineer. The contractor should obtain Insurance at his own cost to cover the risk on the works during the period of

execution and produce the same to the Executive Engineer concerned before commencement of work. However, the contract or shall not be liable for any loss or damage caused due to acts of God, and in particular unprecedented floods, earthquake etc. (PS 50 to APDSS)

5.18.11 In the absence of agreement being finally signed the first payment should not be made to the contractor without specific sanction from the C.E. Such payments should, however, be held under objection for want of sanction to contracts in terms of item No.(iv) of the class of objection mentioned in para 7-1-33 of MSO (Audit) till the contracts are sanctioned.

5.18.12 The contractors will be allowed the facility of deduction of Sales Tax at the rate of 2% at source and be exempted from producing the clearance certificate from commercial Tax Department.

5.18.13 In K2 arrangement for conveyance of cement, an additional clause may be incorporated that the contractor did not complete the work in time or some other agency would convey through its own vehicles and that the extra cost would be recovered from him.

(OO WMC 1A/15-/546 dated 22-06-1976 15-3/I)

5.19 Scrutiny of agreements in Audit

5.19.1 According to Annexure 3.1.1 of Manual of Instructions of Central Audit (MICA) issued by the CAG, audit of contracts and agreements has been entrusted to the Audit Officer/Senior Audit Officer. It has been further clarified by Head Quarters that the audit of contracts and agreements shall be done by the A.O/Sr.A.O. independently and that these documents will not be initially scrutinised either by AAO/Auditor. (Item 10 of the statement enclosed to CAG's circular No.33-TAI/1984 No.1343-TAI/199-83 KW, dated 20-10-84, incorporated as Appendix-7 in MICA).

5.19.2 After receipt of contracts/agreements they should be submitted to the Branch Officer with encasement "Noted in the Audit Register". Each contract or Agreement together with the supplemental slips received if any, relating thereto should be filed in a separate file to facilitate check with the paid bills.

5.19.3 The instructions contained in para 3-7-9 and Annexure-I and II thereto of MSO(Audit) and paras 151 to 161 of A.P.W.D.Code should be borne in mind in the scrutiny of agreements. Further instructions in this regard are detailed in subsequent paras.

5.19.4 Each copy of the agreement received in audit should be accompanied by a forwarding slip in the proforma given in **Annexure-II**.

5.19.5 It should be verified with reference to the particulars on the forwarding slip whether tenders were called for and whether the agreements were accepted by competent authority.

5.19.6 Contracts not in the standard form or contract containing unusual conditions require the specific approval of Government. (vide Art.51[b] of APFC Vol-I and para 153 of APWD code)

5.19.7 In the case of lump sum agreements, the Divisional Officers should intimate this office about the date of handing over of site to the contractor so as to enable this office to work out the due date of completion of work as per rate of progress prescribed. If site is handed over or mark out given before conclusion of the agreement, it should be enquired why agreement was not entered into before allowing the work to be taken on hand. The period of agreement operates from the date of signing of the contract and not from the date of handing over site. (G.O.Ms.No.37 TR and Department, dt.30-1-90)

5.19.8 In lump sum contracts, in addition to the unit and the rate for each item of work, approximate quantity of work to be done should be specified. Arithmetical check should be exercised to see that the total amount of the contract is correct.

5.19.9 Relevant specifications in the APDSS should always be mentioned against each item and where these standard specifications do not apply, special specification defining the nature of work to be done should be attached.

5.19.10 It should be verified that no separate rate is provided for any item of work which under the APDSS the contractor is expected to do without claiming the extra payment.

5.19.11 Where sanctions to extra items are received in Central Audit, it should be seen that they are really beyond the scope of the original contract.

5.19.12 When the agreement rate includes rate for bailing out water, it should be seen whether the water level is recorded in the measurement book., if bailing out water should be made from the bills.

5.19.13 The contracts/agreements should be kept in the personal custody of the Senior Auditor/Auditor who will be personally responsible to hand them over to his successor on his promotion/transfer. The section head will ensure this while checking the charge reports of the Sr.Auditors/Auditors.

5.19.14 Apart from the fact that the contract agreement should not contain erasures and should be free from corrections, additional items should always be incorporated as a separate memorandum signed by both the parties. If several such annexures exist, they should be serially numbered in a chronological order and an index thereof should be entered in a blank page under the signature of both the parties (note below Para158 of APWD Code).

5.20. Contracts with foreign firms

5.20.1 The following peculiar features are generally noticed in the terms of contracts entered into with foreign manufacturing firms both abroad as well as in India, for the supply of heavy machinery and equipment:-

No provision for imposing penalties for late deliveries, to safeguard the interest of Government was made in the contract;

The “price variation clause” was introduced in the contract providing for extra

payment on account of fluctuation or variation in the price of material etc., in the market and the suppliers certificate was to be accepted as conclusive evidence of such variation.

Time limits for deliveries, when prescribed were not in practice, enforced strictly. Extensions of these time limits were frequently recommended by the consulting engineers in some cases and were even granted by them as a matter of course, thus nullifying the time limit clause. Audit should in such case advise the Government on the following lines. It is true that due to unsettled world conditions in the wake of the last World War and the short supply of industrial stores etc., foreign firms, are sometimes in a strong position to dictate their own terms of supply to Government of India and do not agree to any penalty clause for late deliveries. Nevertheless, as time is essence of the contract and in the financial interests of Government, a time limit within which the machinery etc., should be supplied, should be prescribed in the contract, wherever possible with suitable penalties for late deliveries; extension of the time limit should be given by Government without penalty only when applied for beforehand for definite and convincing reasons e.g.: where the non-observance of time limit was due to circumstances beyond the control of the supplier.

As far as possible, no contract involving an uncertain or indefinite liability should be entered into. If due to the peculiar international situation, fluctuations in the market conditions of the work etc., it becomes necessary to agree to a price variation clause in the contract, provided that the claim for increased cost would be supported by the countersignature of the Government's representative abroad viz., Director General, India Store Department in United Kingdom or the India Supply Mission, Washington and submitted to Government for sanction, should be made in the contract, whenever possible.

The power of granting extensions of time limit for the supply should not be delegated to the consulting engineers to Government, where they are employed. Each case should be decided on its merits and under the orders of Government.(CAG's Lr.No.486-Admn-II/705-51 dt.24-4-52)

5.21. Relative responsibilities of Audit Officers in India and abroad in Audit of Contracts

5.21.1 The relative responsibility of the Audit Officers in India and abroad in respect of the audit of stores transactions passed on through (a) the remittance accounts of the High Commissioner for India in London (b) The accounts of the India supply Mission Washington, and (c) The accounts of other India Missions abroad, are laid down in paras 3.7.12 and 3.7.13 of MSO (Audit).

5.22 Levy of liquidated damages

5.22.1 In respect of purchase orders placed by Government departments, it should be seen whether a clause regarding the levy of liquidated damages is incorporated to the effect that if the contractor fails to deliver the materials on or before the stipulated dates, he shall pay as agreed,

liquidated damages and not by way of penalty, an amount equal to one percent, or such smaller amount as the competent authority may decide, of the total amount of contract for every day provided that the entire amount of liquidated damages shall not exceed 10% of the total amount of the contract as shown in tender. (Govt.G.O.Ms.No.58, dt.27-3-67, File 15-212).

5.23 Supplemental Agreement

5.23.1 Copies of supplemental agreements entered into by Superintending Engineers and Chief Engineers should be forwarded to this Office as and when they are entered into. The circles should assign serial number on the same lines as in the case of original agreements with a view to avoiding duplication of agreements and securing effective audit. (Memo.No.D.Dis F-1[2] 40124/67, dt.2-1-69 from the C.E, Major Irrigation & General WMI/15-89/68-69).

5.23.2 As per note 6 under para 154 of APWD Code, “supplemental” or “additional” items may be entrusted to the original contractor, dispensing with tenders as given below subject to the provisions of para 176(e) *ibid*.

Supplemental items of work contingent on the original contract are those items of work which cannot be independently taken up and have to be necessarily executed along with the original contract. Such supplemental items should be entrusted to the original contractor as authorised extras by executing supplemental agreement. If the value of original and supplemental agreements is such as to necessitate a revised sanction by a higher authority, a revised sanction should be obtained before entrustment of the supplemental items and the powers of executing supplemental items and the powers of executing supplemental agreement will be the same as those for executing original agreement.

“Additional” items of work are those which can be executed independently without effecting or interfering with the original contract and they may be let out after call of tenders. If a tender call is considered undesirable, they can be given to the original contractor provided, the total value of additional items does not exceed the limit up to which works can be entrusted, without call of tenders. If it exceeds, the approval of next higher authority should be obtained. Separate estimate or revised estimate or work slip containing the additional items should be sanctioned/approved by the competent authority before executing the work and the rate should not exceed the “estimated rates”.

5.23.3 Supplemental agreements can be concluded by a lower authority even though the original agreement is accepted by a higher authority subject to the condition that it does not involve sanction or revised estimates or deviation statements by higher authority. A doubt arose as to whether this provision would be in consonance with Section 62 of the Contract Act. Government after examination, have communicated their decision in their letter No1767-Y/68-7, dt.25-8-69 as follows:

“Section 62 of the Contract Act does not prohibit the acceptance of supplemental agreement by an Engineer, different from the Engineer who executed the original contract on

behalf of the Governor when one of the parties to the contract is the Governor alone. Any Engineer who is duly authorised by the Governor under Art.299(1) of the Constitution of India can enter into contract, by executing a supplemental contract to substitute a new contract, or rescind or alter the original contract subject to the limitations specified in the departmental orders including obtaining previous sanction or approval of the higher authority for revision of rates etc., even though the original contract was executed by some other authorised Engineer on behalf of the Governor". (The procedure mentioned above has been incorporated in PS.63 to APDSS as per G.O.Ms.No.1007, dt.5-11-76).

5.23.4 The authority who entered into the original contract will be authorised to decide which items of the works should be proposed under a supplemental agreement. In case of doubt or dispute, the decision of the authority next higher to the contracting authority will be final and binding.

5.23.5 A clause stipulating the above position should be incorporated in the tender schedules and the agreements. (Govt memo No.12-Cod/80-3 dt.6-3-80, 15-4A/III).

5.24 Rate for Supplemental Agreements

The following rule should be adopted while executing supplemental agreements:

5.24.1 For items directly deductible from similar items in the agreements, the rates should be derived by adding to or subtracting from the agreement rate of such similar item, the cost of difference in quantity of material or labour between the new items and the similar items in the agreement worked out with reference to the schedule of rates adopted in the sanctioned estimate with which the tenders were compared plus or minus overall tender percentage.

5.24.2 For new items which do not correspond to any item in the agreement, the rate should be standard schedule of rate plus or minus the overall tender percentage.

(G.O.Ms.No.1007, dt.5-11-76; 1-1/XII)

Note: "Estimate rate" means the rate in the sanctioned estimate with which tenders are compared or if no such rate is available, the rate derived with reference to the "schedule of rates" adopted in the sanctioned estimates, with which tenders are compared.

5.24.3 If the supplemental item is in substitution of old items which allowed for importation of labour, labour amenities, dewatering, etc., those factors may be taken into account in computing the substituted items also at the same rates at which they were originally provided. In respect of new items the case has to be considered on merits. (G.O.Ms.No.1493, PWD, dated 25-12-1971)

5.24.4 Observed data is usually worked out based on the number of labourers actually employed by the contractor and the wages paid to them during the period of observation. This more or less corresponds to the cost of labour referred to in clause 63 (d) (11) APDSS from which the tender percentage addition or deduction is not made. Further, the necessity for observed data for supplemental items usually arises along after the agreement is concluded and

the rates at the time of observing are likely to be more than those at the time the tenders were called for and agreement was concluded. The tender percentage is required to be applied to the Schedule of Rates prevailing at the time the agreement is concluded.

5.24.5 The Government decided that the tender percentage shall not apply to the rates derived on the basis of observed data at a later date. The rate should be worked out on the basis of observed data only when the agreement does not provide the rate for the item or items of work or the Schedule of Rates does not contain a rate for them or when it is impossible to work out rate from the rates available for similar items of work in the agreement or in the Schedule of Rates. (Govt. of A.P, PWD. Memo No.202-Y/72-3, dated 3-3-72 and Memo No.1250/72-4, dt.25-9-72 WMI O.O.No.WMI/A/15-4/71-72/Vol. I/102, dt.1-12-72).

5.24.6 For all items of work in excess of quantities shown in schedule "A" of the tenders, the rate payable for such items should be either tender rates or the rates as per Standard Schedule of Rates for the items plus or minus overall tender percentage accepted by the competent authority whichever is less.

5.24.7 This will apply to both LS and K-2 contracts. (Govt. Memo No.430-Codn/75-3, dt.25.6.75).

5.24.8 The term Standard Schedule of Rates used in (I) (b) and (ii) (a) above means the Schedule of Rates on which the sanctioned estimate was prepared.

5.24.9 The rate quoted by the contractor should be considered as normally high if it is more than the estimate rate plus 15% or estimate rate plus overall tender percentage whichever is higher. This should not be indicated in the tender notice. The tender accepting authority should decide the items, the rates of which are considered high as per the above guide-lines and the procedure only for making intermediate payments should be stipulated in clear detail in the agreement before it is concluded.

5.24.10 For all the items of work, the quoted rates of which are high, intermediate payments will be made provisionally at the estimate rate plus or minus over all tender percentage. Full accepted agreement rates will be paid only after all the items of work are completed. The tender accepting authority will decide the exact items the rates of which are considered to be high for the purpose of the above clause and his decision shall be final and binding on the contractor. Suitable clauses incorporating the above instructions should be included in the tender schedules and agreements. The proportionate rate should be so worked out as to safeguard the interests of Government. (G.O.Ms.1871, dt.17-12-71, Memo:544-Coordn./77-22, dt. 6-7-73: 15-4A/I).

5.24.11 Audit should ensure the incorporation of suitable clause in the agreement and its enforcement by the departmental officers. Failure to enforce the same should be objected to. (WMC Circular 19, dated 20-5-78, 15-4A/III)

5.24.12 The plus or minus tender percentage to be taken into account in working out rates for supplemental items is the actual overall tender percentage accepted by the competent authority.

5.24.13 It is further clarified that wherever additional items not contingent on the main work and outside the scope of the original agreement are to be entrusted to the original contractor dispensing with tenders and if the value of such items exceeds the limit up to which the officer is empowered to entrust the works initially to a contractor without calling for tenders, approval of the next higher authority should be obtained. Entrustment of all such items on nomination shall be at rates not exceeding the estimate rates.

5.24.14 Entrustment of supplemental items (not additional items)

Contingent on the main work will be authorised by the officers up to the monetary limit up to which they themselves are competent to accept items in the original agreement so long as the total amount of supplemental agreements does not exceed the amount up to which they are competent to accept in an original agreement. Rates for such items shall be worked out in accordance with the procedure prescribed in G.O Ms.No.1493 dated 25-10-71 as amended in Govt..Memo.No.544-Coordn./72-22, dt.6-7-73.

5.24.15 Entrustment of either the additional or supplemental items shall be further subject to the provision under para 176(a) of the PWD Code, viz., the items shall not be ordered by an officer on his own responsibility if the revised estimate or deviation statement providing therefor requires the sanction of a higher authority.

5.24.16 The part rate should be so determined that the amount paid to the contractor should not be in excess of the value of work done and keeping in view the cost of the balance work yet to be done.

5.24.17 The value of the work should be calculated with reference to the estimate rates for the actual soils met with and the actual leads and lifts involved.

5.24.18 In regard to common charges, electricity consumption, conveyance etc., only that portion which can be reasonably related to the work done should be followed.

5.24.19 It should take into account, soil, leads, lifts and other common charges involved on the balance of work yet to be done.

5.24.20 The approved tender percentage may be allowed over the rate determined as above. In case of tender percentage excess, the individual percentage excess may be applied in working out part rates.

5.24.21 In the case of canal works, where trimming of slopes is required, an ad-hoc deduction at 10% of the part rates arrived at should also be effected. This deduction may be released on completion of the works.

5.24.22 The part rates should be worked out taking into consideration a chain or furlong as a unit and the method of working should be simple and not cumbersome.(G.O.Ms.No.355, PWD, dated 24-4-74).

5.25 Penalties or other action on contractors

5.25.1 The following are the penalties to be imposed or action to be taken on contractors.

Provisions in P.S. to APDSS

Sl. No.	Nature of lapse or breach of condition	Action in respect of (K-2) work contract	Action in respect of Lump sum contract
1.	Failure to start the work after agreement is concluded	Forfeiture of E.M.D. at the discretion of the accepting authority	1 (a) Notice to be issued under clause 60(a) of P.S. to APSS advising the contractor to make up the short-fall within seven days of the receipt of the notice. If the contractor neglects to comply after receipt of notice, it is lawful for the Executive Engineer to determine the contract, which determination shall carry with it the forfeiture of the E.M.D. (b) If however the Executive Engineer notwithstanding the failure of the contractor or comply with the demand referred into clause 60(a) shall permit the contract to proceed with the work or part and continue and complete whole or such part of the work, such provision, shall not be deemed to be a waiver in any respect by the Executive Engineer of the right or forfeiture under this clause, provided however, that any such forfeiture under this clause shall not exceed 5% of the total of the finished contract amount. (c) Executive Engineer shall determine the contract (I) with forfeiture of the E.M.D.(ii) the amount withheld under clause 68 in intermediate bills (iii) value of work executed and not paid for or such portion of such total sums as shall be assessed by the Executive Engineer.
2.	Failure to show progress after starting	Imposing fine by the authority accepting the	60 (b) same as item 1(b) 60 (c) If the rate of progress is not maintained,

	the work	by agreement not exceeding 5% of the finished contract amount.	the Executive Engineer can give any part of the work to any contractor at his discretion and the contract shall then be determined for only that portion of the work given to other contractor.
3.	Unable to execute work as per schedule progress	Supplementing the contract.	Penalty as per clause 60(c)
4..	Stopping of work or refusal to do further work in course of execution (suspension of work)	authorit accepting The y g the agreement may suspend agreement. The work done shall be enforced the forfeiture deposits or no at the discretion of that authority.	A registered notice shall be served on the contractor under clause 61 of the P.S. to APSS by the Executive Engineer requiring to resume the work as terms of contract within 14 days of the receipt of notice. The EE., may take possession of the works and site and all such plants and materials shall be at the disposal of the Government for the purpose of completing the work. The work shall then be completed by other agency, and on completion of work, any excess expenditure on the balance work, shall be made good from the contractor's dues. However, any savings do not accrue to the contractor.
5.	Due to death, insolvency, imprisonment, etc., of the contractor	Agreement shall be determined and the work done shall be paid for, to the contractor or to his legal heirs.	The contract shall be determined by notification in the gazette etc., and work done shall be paid for to the contractor or to his legal heirs.as per clause 72 of PS to APDSS
6.	Due to dispute between the contractor and the Department.	The decision of the authority accepting the agreement final and binding on the contractor.	The contractor's claim over the dispute shall be re-examined first by the authority accepting agreement or his higher authority. In case the contractor refers to an arbitrator, the authority accepting the agreement shall file a rebuttal statement before the arbitrator with all the evidences and documents as may be called for by the arbitrator.

5.25.2 The penalties under clause 60 are less severe than under clause 61. The appellate authority may waive or modify the penalty at a subsequent stage on merits. The following clarifications have been issued in this regard.

Authorised deletion/omission has no reference to action under clause 60 or 61 of PS to APDSS, since, the latter arises out of failure of the contractor to fulfil the obligations under a contract, while the former arises out of deliberate/conscious decision by the department to omit some work from a contract for good and sufficient reasons of its own.

The authority competent to authorise deletion of work will be the authority who had approved technically the official drawings and specifications. Thus the E.E. will order omission/deletion under Clause 16(b) of APDSS only with the approval of the authority which approved technically the original drawings and specifications.

If the deletions are of such a nature as to alter the very scope of original sanction requiring revision of estimate by Government, then such administrative approval shall be obtained to the revised estimate first before taking action under Clause 16(b) of PS to APDSS.

It should be noted that where action is taken under Clause 60 or 61 of PS to APDSS, there is no option but to impose penalties on the contractor as required under these clauses. Orders should not be issued applying clauses 60 and 61 without at the same time imposing the attendant penalties. The appellate authority however, may waive or modify the penalty at a subsequent stage on merits. (Govt.Memo No.137/Codn./80-1, dt. 25-2-80. 15-158/II)

Clause 61 *ibid* requires that steps should be taken to complete the balance works without undue delay or expense whenever a contract is closed at the risk and cost of the contractor on account of suspension of work by him so that the extra expenditure may be recovered from the first agency. In order to enable the Government to have the full realisation of extra cost there should not be any delay of more than 6 months for resumption under clause 61 of PS to APDSS. (Govt.Memo.No.142/C1/78-7, dated 27-10-78: 15-158/II)

It has been clarified that once tenders are called for under clause 60(c) PS to APDSS, the normal powers of officers for acceptance of tenders will be applied and the Executive Engineer has no absolute powers to accept tenders irrespective of value of tenders.

(Govt. Lr.No.2349/C/1/81, dt.11-1-82: 15-158.Vol-II)

When there are deviations in designs and structures in the original agreements involving extra financial commitment to exchequer Government approval would be invariably obtained for such deviations.(Govt.Memo No.636 SRSP 757 dated 15-2-1980-15-3/I)

5.26 Engagement of technical personnel

5.26.1 In respect of works requiring technical skill, it should be seen whether qualified technical personnel are appointed by the contractor who has entered into a lump sum or K-2 contract with Government. In the case of both LS and K-2 contracts of Rs.50,000/-and more, the

contractor irrespective of his class, shall be required to employ technical personnel as shown below on the concerned works at his own cost whether technical skill is required or not.

Cost of Work	Scale of technical staff
(i) From Rs.50,000 to Rs.1.00 lakh	One ITI candidate
(ii) Between Rs.1 lakh and Rs.5 lakhs :	One Diploma holder
(iii) Between Rs.5 lakhs and Rs.15 lakhs:	One Graduate Engineer or two diploma holders
(iv) Above Rs.15 lakhs	One graduate Engineer and one Diploma holder

5.26.2 The appointment of staff shall be on full time basis and they shall be available at work site wherever required by the Engineer in-charge to take instructions.

5.26.3 In the case of failure of the contractor to employ technical personnel as above, recovery shall be made from his bill at the rates prescribed in G.O.Ms.No.158 dated 21-02-1975 read with G.O.Ms.No.23 I&CAD (FW-COD)Dept. dated 5-3-99 wherein lump sum provision was made for this purpose.

5.26.4 In case the contractor himself is a diploma holder/graduate engineer, no agent need be appointed to supervise works costing up to Rs.5 lakhs/above Rs.5 lakhs respectively. Even if the contractor is himself a technically qualified person, he shall employ technical staff on the scale prescribed for supervising works when more than one work is undertaken and if they are beyond a radius of 5 kms. One or more works within a radius of say 5 kms. shall be treated as a single work for purposes of employment of technical agent.

(G.O.Ms.No.1434/C1/78-18, dt.20-12-80 of TR & B Department)

5.26.5 If the department is likely to argue that so far as the senior technical assistant is concerned, it is possible to supervise both the works without prejudice it would be difficult for us to challenge the position. In such cases, the inspection parties may not insist that the prescribed scale of staff should be appointed for each work unless there are other special reasons for doing so. (Circular 96, dt.12-11-79, 15-118)

5.27 Earnest Money Deposit and Security Deposit

5.27.1 During the scrutiny of agreements, it should be seen that the contractors have furnished the earnest money deposit as per the notice inviting tenders appended to the contract. It should also be ensured that the Security Deposit is recovered from the running account bills of the contractors.

5.27.2 The practice of collecting E.M.D. in the shape of D.D.at the rate of 1½ per cent subject to maximum of Rs.1.00 lakh or Rs.75,000 from the contractor, who have not made LS

Deposit/ who have LS deposit with the concerned Chief Engineers respectively was dispensed with.

5.27.3 Hereafter the tenderer shall pay 1% of Estimated Contract Value at the time of filing tender as Earnest Money Deposit in the shape of crossed Demand draft or unconditional, irrevocable Bank Guarantee. Balance E.M.D. calculated at 1.5% shall be collected at the time of concluding the agreement in the shape of Bank Guarantee. (G.O.Ms.No.23 I&CAD (PW: COD) Department dated 5-3-1999)

5.27.4 The crossed demand draft for EMD shall be entered in the register of the tenders which will be treated as subsidiary cash book for the purpose. When the tenders are rejected, the demand drafts should be returned the unsuccessful tenders after taking their acknowledgements in the register of tenders. The demand drafts of successful tenders alone should be accounted for in the cash book. Crossed cheques should not be accepted for EMD or security deposit. (G.O.Ms.No.107, dated:25-01-1968/15-37/II)

5.27.5 The retention amount shall be deducted at the rate of 7.5% as usual.

5.27.6 The Earnest Money Deposit will be refunded to the unsuccessful tenderers either after finalisation of tender or on expiry of validity of tender whichever is earlier. In the case of successful tenderer the Earnest Money retained will not carry any interest and will be dealt with as provided in the tender.

5.27.7 The amount of earnest money deposit and retention from the bill should be noted on the running account bills of nomination and K2 contracts/lump sum contracts to enable Audit to ensure that they are collected/withheld according to the percentage fixed by the Government.

5.27.8 Piece Work Agreements:

E.M.D.	2.5%
Retention from bills	3.5% till the value of work done is 66 2/3% times the value of EMD and 5% thereafter.

5.27.9 Nomination contracts

EMD should be collected in respect of nomination contracts as in the case of K.2 contracts but where this is not done i.e. where 1.5% was not collected in advance, deduction must be made from each bill at 5%. (Note below para 154 of APWD Code).

5.27.10 According to G.O.Ms.No.2262, dated 19-9-60 in the case of big projects, where the EMD at 2.5% comes up to a limit of Rs.10,000/- the deposit may be taken in cash and the balance, above Rs.10,000/- would be allowed to be covered by a bank guarantee. Insurance bonds should not be accepted in lieu of earnest money.

5.27.11 National defence certificates may be accepted towards lump sum deposits and fixed deposits by scheduled banks should not be accepted.

(G.O.Ms.No.954vPW[y] dated 17-6-66)

5.27.12 EMD is required to be collected at 2.5% if the value of the purchase order is more than Rs.3,000/-. This concession will not apply in the case of private firms which supply materials on „actual-users import licences“ and supply of foreign materials.

(G.O.Ms.No.554 PWD dt.9.3.64, read with Govt.Memo:2499/69-3, dated 233-10-69)

Note: The ayacutdars of Telangana are exempt from earnest money deposit in respect of minor irrigation works. (G.O.Ms.No.2338, dt.29-11-63- File:WMI/15-109)

5.27.13 Refund of EMD and retention from bills

As collection of security deposit is dispensed with at the time of entering into agreement in respect of contractors irrespective of whether they have paid the lump-sum deposit of Rs.1 lakh, or not. Retention from the bills of the value of work done is made for both lump sum and K-2 contracts.(G.O.Ms.No.347, dt.12-3-68). But at the time of the payment of final bill for the purpose of PS 68 to APDSS, 2½% of the value of work done has to be retained under deposits in addition to the EMD. These would be paid to the contractor within a period of two years or soon after the expiry of such period of two years, as all defects shall have been made good according to the intention of PS 68 to APDSS (G.O.Ms.No.870 dated 23-5-1969 15-39/II P.114 as amended vide G.O.M.s.No.23 dated 5-3-1999).

5.27.14 Final bills should be settled within 6 months from the date of completion of the work, if not, the balance amount after deducting the disputed amount, if any, should be paid to the contractor and settlement of final bill should not be held up except to the extent of the disputed amounts.

5.27.15 The CEs shall be permitted to order refund of EMD on the responsibility of EE, about satisfactory completion of the work after the expiry of the observation period of 24 months. For this purpose, the EE should ensure before releasing of EMD pending settlement of final bills, that sufficient assets of the contractor are held by the Government to off set any recoveries due from him. The Executive Engineers are personally responsible to make good any losses that may arise due to release of EMD without proper verification.

(G.O.Ms.No.491, dated 14-5-73/15-7/I) (G.O.Ms.No.23 dated 5-3-1999)

5.28 Bank guarantee schemes

5.28.1 The scheme of accepting Guarantee bonds executed by Schedule Banks for the due implementation of Government contracts has been adopted by the Government. According to this scheme, the Government agree to accept from Nationalised Banks guarantee in lieu of the cash deposit required from the contractors for due fulfilment of the terms and conditions of the agreement entered into by them with the Government for the execution of the work.

5.28.2 The guarantees executed will, however, be accepted only after obtaining written confirmation from the Nationalised Bank which issued the Bank Guarantees.

5.28.3 The guarantee scheme shall remain in force until further orders subject to the following conditions:

This scheme does not apply to the retention amounts of the work bills

In respect of earnest money deposits of more than Rs.10,000/- in case of individual works, the bank guarantee is to be accepted only for the amount in excess of Rs.10,000/-.

(G.O.Ms.No.1455, dt.31-5-65: 15-37/II)

5.29 Conversion of deposits

5.29.1 As per the para 457 of APWA code, cash deposits of contractors may be converted at the cost of the depositor into one or more forms of interest-bearing securities. The various forms of securities are outlined in paragraph 455 *ibid*. It should be seen that the earnest money deposit is not converted into any form of security, as it would amount to payment of interest to the contractor; which is not contemplated in the tender notice adopted in the APDSS.

5.30 Splitting of works

In Government memo No.94-Y/66-4 dated 16-1-67, the departmental officers were authorised to split up large works in such a manner that they are capable of independent execution without interference with the progress and actual execution of other pieces into which the works might have been split up. The intention is that the small contractors with limited resources may also have the opportunity to compete with the bigger contractors and reduce monopolistic tendencies. If, for any reason, it is not possible or convenient to split up large works before calling for tenders and tenders are called, for the entire works and there was no response or poor response, the departmental officers should split up the works in a judicious manner and a call for tenders again for these split up works. If the tenders are still high, they may allot the split up works on nomination within the estimate rates departmentally or through petty job works, supplying materials departmentally. (Govt.Memo No.101-Y/70-1, dated 20-2-70)

5.31 Works given on nomination

5.31.1 In case of works given on nomination, it should be seen that they are given on nomination only after calling for tenders or the tenders received are found unacceptable and if it is considered that a further call for tenders will be fruitless or undesirable.

5.31.2 Tenders should invariably be called for when the amount involved in a particular case is Rs.5,000/- or more. Tenders may be waived in any case whether for urgency or any other reasons to be recorded in writing and works given on nomination at the estimates rates up to the following limits:

Waiving Authority	Electrical Works	Other Works
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Executive Engineer	Rs.1,000	Rs.20,000
Suptdg. Engineer	Rs.2,500	Rs.50,000
Chief Engineer	Rs.50,000	Rs.1,00,000

5.31.3 Where tenders are dispensed within the case of contracts exceeding Rs.20,000/- it should be seen that the report is made by the officer entrusting the work on nomination to the next higher authority indicating the reasons for dispensing with the tenders. (G.O.Ms.No.1007, dt.5-11-76)

5.31.4 In respect of Mechanical Works like designing, manufacture, supply, erection, testing, commissioning, etc., entrusted to the firms, the following conditions shall be incorporated in the enquiry form. Payment will be made at 82% of the FOR contract on bill of any portion of plant and material from time to time delivered FOR as per break-up costs. Payment up to 90% of the total contract value including all erection charges on taking over of each complete section of the plant after erection and testing. The balance of the contract value after expiration of 12 month after due date of payment under clause 2 above Clause 68 of PS to APDSS is amended accordingly. (G.O.Ms.No.416, dt.17-12-80- 15-426)

The rates adopted in respect of nomination contracts should not exceed estimated rates and any violation of this rule should be challenged in audit. (D.O. Lr.No.25-G/64-4, dt. 29-6-66/WMI/15-6)

5.32 Government vehicle to be repaired in private work-shops

5.32.1 When a Government vehicle is to be entrusted to a private registered work-shop for repairs, the following conditions should be fulfilled.

The repair is urgent and the Executive Engineer, Regional Work-shop and Mechanical Division is unable to undertake and complete within 15 days and he should issue a certificate to that effect.

The bill should be submitted to Executive Engineer, RW & Mechanical Division for scrutiny.

The Executive Engineer RW & Mechanical Division should maintain a register of such vehicles for which certificates are issued. The register should be scrutinised by the Supdt. Engineer once in a month.

5.32.2 The private workshops should be classified into 3 categories.

A-Class Work-shop: To undertake complete repairs of engine, transmission crankshaft grinding, re-boring of cylinder, painting upholstery work body buildings etc., repairs work. The registration fee is Rs.300/- and deposit is Rs.1,500/-.

B-Class work-shop: It should have facilities to undertake repairs of more than one but less than 5 types mentioned above. Registration fee is Rs.150/- and the deposit is Rs.750/-.

C-Class work-shop: It should have facilities to do one type of work shown under A-class work shop. The registration fee is Rs.75/- and deposit is Rs.375/-.

(G.O.Ms.No.416, dt.19-5-77/15-426)

5.32.3 All repairs to Project vehicles shall be entrusted to Project's own work-shop or to the PWD workshop under C.E.(Mechanical). It can be entrusted to a private registered workshop in exceptional cases only due to urgency subject to the following conditions.

5.33 Arbitration Awards

5.33.1 Under the clause of agreement any dispute between the contractor and the Government may be referred to the Arbitrator appointed for that purpose.

5.33.2 Authority to whom arbitration should be referred

<i>Sl. No.</i>	<i>Money Value of the Claim</i>	<i>Officer/Officers to whom Arbitration is to be referred.</i>
<i>1</i>	<i>Claims up to Rs.10000/-</i>	<i>S.E of another Circle in the department</i>
<i>2</i>	<i>Claims above Rs.10000 & up to 50000/-</i>	<i>a) Another C.E of the same department b) Where there is only one C.E, the C.E will submit proposals to Government for nomination of another C.E</i>
<i>3</i>	<i>Claims above Rs.50,000/-</i>	<i>All claims above Rs.50,000/- shall be decided by the civil court of competent jurisdiction on way of a regular suit and not by Arbitration.</i>

(G.O.Ms.No.430, IRR (IRR V) Deptt. dt.24-10-83 and G.O.Ms.No.160 I & CAD(PW) Deptt. Dt.1-6-87)

5.33.3 As soon as the Arbitrator passes any award, notice thereof is served on the parties concerned. As per G.O.Ms.No.24, IPR (PW) Deptt., dated 1-2-85, the arbitrator shall state his reasons in passing the award.

5.34 Acceptance of the Awards

5.34.1 Arbitration award whose value is less than Rs.20,000/-

The Chief Engineer is authorised to accept arbitration awards below Rs.20,000/- of value. He should make a review of the award within fifteen days of the service of the notice of the making of the award in consultation with the legal counsel, and if in his opinion the award has to be contested, he should arrange to file an application for the filing of the award in the court within thirty days of service of notice of making of the award and to contest the award,

If for any reason, he considers it inadvisable to act according to the advice of the legal counsel, he should refer the matter to the Government (for examination) within 15 days of the service of the notice of making of the award. (G.O.Ms.No.296, PWD, dated 24-2-70)

5.34.2 Arbitration award involving Rs.20,000/- and above

In value should be reviewed by the Chief Engineer, if the C.E considers that the award can be contested, he should take action in consultation with the Government pleader to file an application in the court within the period of one month stipulated for contesting the award. In cases where the Chief Engineer considers that the award can be accepted or if the Government Pleader does not consider it appropriate to contest the award, the matter should be referred to Government for scrutiny within 10 days of the service of the notice.

5.34.3 The Government would decide in consultation with the Law Department whether the award should be accepted or not and communicate the decision within twenty-five days of service of the notice of making the award to enable the Chief Engineer either to take action on the basis of the award or to file an application in the court within 30 days of service of the notice of the making of the award, for contesting it.(G.O.Ms.No.296, PWD, dt.24-2-70 read with Govt. Memo No.841-Y/71-4, dt.2-3-72)

5.34.4 Contesting Arbitration awards

An arbitration award cannot be impeached except on the grounds specified in the section 30 of the Arbitration Act, 1940 and therefore for contesting an arbitration award, the grounds should be strictly in accordance with the procedure laid down in Sec 31 of the Act.

The Chief Engineers need not refer awards to Government for scrutiny where it is proposed to accept the award in the absence of grounds specified in Section 30 of the Arbitration Act, 1940. (G.O.Ms.No.85, dated 2-4-80. I & P [PW] Dept.)

The quarterly returns of Arbitration awards continue to be received in our office and their submission is not dispensed with. What is dispensed with is the return by Chief Engineers to the Government and that too by the CEs, Nagarjuna Sagar Dam, Right canals, left canals, Srisailam and Sreeram Sagar Projects only. (Govt. Memo. 1637/SRP/191/78-11, dt.5-11-79)

5.34.5 Payments to the contractors based on the awards can be made only after it has been accepted by the Chief Engineer in the case of awards below Rs.20,000/- and by the Government in other cases. The award of the Arbitrator is final and binding on the parties unless contested by either party in a court of law.

5.34.6 The Chief Engineer should review the arbitration awards and furnish to the Accountant General as well as Government, quarterly reports on such payments authorised as a result of arbitration in the form given in **Annexure-III**. The review should include suggestions, if any, for setting right any lacunae in the rules and procedure etc., and also fixing responsibility for lapses, wherever necessary. The returns for the quarter ending with /June/September/December/March should be furnished on the 10th of the succeeding month.

5.34.7 The return should contain additional information in respect of each item in the remarks column as detailed below:

Brief history of the case (including date of commencement of work and stoppage of work etc.)

Nature of claims of contractor (including date of request for arbitration).

Nature of counter claims by Government.

Award in brief (including date of award and time taken by arbitrator).

Reasons for accepting or rejecting the award.

Action taken against subordinates and if no action is proposed, the reasons for the same.

Whether the work has been completed.

Whether there are any lacunae in the existing rules and procedures.

(Govt. of A.P., PWD, Memo No.1783-Y/70-9, dated 30-8-71, WM-1/A/15-97/70-72/32, dt.30-10-71)

Note: The intention of the Government is to find out whether there are lacunae in the contract form or procedure of conditions of agreement giving rise to arbitration awards. It is, therefore, absolutely necessary that the relevant columns in the quarterly report are duly filled in. (Govt. Of A.P. PWD Memo No.698/70-10, dt.30-1-71)

5.34.8 The quarterly returns should be received in ES-I (Co-ordination) section and extracts thereof distributed to each IR Cell which should maintain the register in the proforma given in **Annexure-III**. The Section should fill in columns 1 to 9 and indicate in the “remarks column” the further action taken. The AAO/SO/Supervisor should review the register every month and put up to the Group Officer, Branch Officer on 10th of every month. ES-I (Co-ordination) Section should review this once in six months (i.e., on 15th June and 15th December). (WMI OO No.WMI/A/15-97/64-68/110 dated 16-3-1968)

5.34.9 The audit of arbitration awards is done in IR Cell/~~Works Audit Sections~~ as the agreements are retained in those sections. In the course of examination of arbitration awards it should be seen whether the award has been due to any defect in the clauses of the agreement. Necessary comments may also be included in the Report of Comptroller and Auditor General on the merits of each case.

5.35 Stamp-duty

5.35.1 All agreements entered into with the department by the contractors for execution of works, supply of materials etc., are subject to stamp duty as prescribed from time to time under the Indian Stamp Act, 1899 and this duty would be borne by the contractors executing the agreement. (G.O.Ms.No.52, dt.2-1-79/15-3/I)

5.35.2 Stamp-duty to be collected with effect from 1-4-90 as per Act 22 of 1989 on agreements or Memorandum of Agreement not otherwise provided for where the value of the property:

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a.	Does not exceed Rs.5,000/-	Rs.10/-
<hr/>		
b.	Exceeding Rs.5,000/-, but does not exceed Rs.20,000/-	Rs.20/-
<hr/>		
c.	Exceeding Rs.20,000/- but does not exceed Rs.50,000/-	Rs.50/-
<hr/>		
d.	Exceeds Rs.50,000/-	Rs.100/-

Where such agreement does not relate to monetary Rs.50/-transaction or transactions not susceptible for evaluation in terms of money

~~5.35.3~~ The term “agreements” referred to above includes supplemental agreements also as they create some obligation on either side of the original agreements. In the case of purchase orders where agreements are signed by both the contractors and the department as per provisions of G.O.Ms.No.603, dated 30-7-70 they are subjected to stamp-duty. Other individual purchase orders need not, however be subjected to stamp-duty.(WMC Circular No.128, dated 1-7-80/15-3/I)

5.35.4 STAMP DUTY ON TOLL GATE AGREEMENTS

In respect of Toll gate agreements, stamp duty at the rate of five rupees for every one hundred rupees or part there of shall be levied for the price paid by the lessee to the lessor in consideration of lease i.e.5%of the bid value.

(Authy: Art.20-Sch IA-The Indian Stamp Act II of 1899)

Source: The Indian Stamp Act 1997(7th Edition)

ANNEXURE-I

Forwarding slip- A to accompany the agreement referred to in Para 5.15.1

Circle..... Division.....

Agreement No.....

Executive Engineer.....

Name of work

Administratively sanction amount Rs.

Revised sanctioned amount Rs.

Technically sanctioned amount Rs..

Revised technical sanction amount Rs.

Name of the contractor and address

Original or supplemental

If supplemental, give reference to original agreement No. etc.,

- a) Approximate value of work to be done under this agreement
- b) Value of work as per estimate

If this is supplemental, up to-date value of work done under original agreement:

If tenders have been called for, is the lowest tender accepted?

Time allowed in the tender notice for submission of the tender

Total number of tenders received:

Has the contractor signed the divisional copy of APDSS and its addenda

Is data furnished for all items

Are the rates in the agreement within the estimated rates or not if so what is the overall percentage excess or less

Are the printed schedules approved in the CEs office followed without any change. If not what are the deviations made

(N.B) If printed schedules are adopted without any changes, only schedule 'A' and Schedule 'D' (Schedule of material to be supplied departmentally) Schedule 'E' need be communicated to departmental officers while full copy of agreement is to be sent to AG Authority, reference in which tenders were approved Sd/- Superintending Engineer/Irrigation

ANNEXURE-III

(Referred to in paragraph 5-34.6)

Quarterly Return on the review of Arbitration Awards for the Quarter ending

Sl. No.	Name of the work	Agreement No. and the Name of the division	Estimated cost of the work	Actual expenditure on the work	Amount of the Arbitration Award	Action taken for fixing Responsibility	Remarks (including suggestions etc for setting right any lacunae in rules and procedure)
1	2	3	4	5	6	7	8

ANNEXURE-III

Referred to in paragraph

**Register to watch receipt of quarterly Reports from the Chief Engineers and
Distribution of extracts of the Arbitration Awards to the IR Cell/~~Works Audit Sections.~~**

Sl. No	Name of the division	Reference to the agreement and value	Reference to the award	Whether the award is above Rs.20000 whether it is within the competence of the officer whose opinion is under arbitration	Brief particulars of the disputee	Whether decided by Chief Engineer /Govt. within two months of receipt whether Chief engineer referred to Technical cell within 15 days of receipt of the award.	Particulars of payments made under the award.	Remarks			
								(a) █ Officers to whom a reference is made by our office	(b) █ No.& Date of reference	(c) █ Remarks details of the final decision taken by Audit on the case.	Works Audit Section to which the extract of arbitration award was sent.
1	2	3	4	5	6	7	8	9	10	11	12

CHAPTER 6

AUDIT OF SCHEDULES, SCHEDULE DOCKETS AND VOUCHERS

AUDIT OF SCHEDULES

6.1 Revenue Schedule (Form-P.W.A.9)

6.1.1 While auditing the Revenue schedule, the instructions laid down in paras 4.3.7 to 4.3.10 of M.S.O. (Audit) should be borne in mind.

6.1.2 It should be seen in Central Audit that:

PW receipt such as rents, fines, sale proceeds of canal produce, sale of water are properly assessed, realised and credited to govt. under relevant Head of Account.

all classes of revenue derived from properties, lease rights etc., are properly accounted for.

recoveries towards establishment/T&P charges are properly effected and lost sight of.

no amounts are credited to the revenue heads until they are actually realised (for exceptions see para 257 of APWA code);

the orders of competent authority exist for every amount remitted or written off;

where the amounts have been recovered from vouchers or adjusted through transfer entry orders, reference to schedule docket number/transfer entry order number is given in the schedule;

demands for rent recoverable in cash from (a) private persons (b) pensioners etc., are enforced and recoveries made (see para 263 of APW A code);

the amount appearing under “deduct refunds” is supported by details in a separate schedule of revenue and agrees with the expenditure shown in the schedule docket concerned;

all refunds have been approved by the authority competent to authorise the refunds;

amounts shown under Establishment, Tools and plant and other recoveries are actually creditable to these heads and traceable in the schedule docket of percentage recoveries - Form 62.

where the amounts credited to revenue represent sale proceeds of unserviceable materials or other items, these are supported by survey report and sale account.

in the case of recoveries relating to Irrigation projects for which capital and revenue accounts are kept, the name of the system/project is indicated prominently; and

where receipts relate to more than one project, the schedule is prepared for each project separately.

6.1.3 Schedule of Works Expenditure (Form - P.W.A 27)

Schedule of works expenditure should be checked in accordance with instructions laid down in para 4.3.12 of M.S.O.(audit). In general, it should be seen that:-

the schedule is prepared in the prescribed form and all the columns are duly filled in.

Note: a) The works should be grouped under each minor head/sub-head/detailed head unit of appropriation as given in the budget. The nomenclature of the works and the expenditure shown against each work during the month tallies with that shown in the schedule docket (FA.IX)

the schedule accompanying the account of March and September includes all the works even if no expenditure thereon has appeared during these months;

the schedule for September and March / supplemental continue to include even completed works so long as there is any requirement of excess over allotment, sanctioned estimates, administrative approval or financial sanction which is yet to be regularised.

in the case of works relating to Central Road Fund/Road Development Fund works, State Roads of economic or Inter State Importance and Railway safety works, the job number assigned by Govt. of India is distinctly exhibited against each work.

in case where expenditure appears for the first time, reference to communication intimating amount of allotment and sanctioned estimate is quoted.

action towards revision or fixation of rent is taken for original works connected with a residential building when these are shown as completed.

that when it is not necessary to submit the schedule docket the prescribed certificate is recorded by the Divisional Accounts officer on the schedule of expenditure as prescribed

NOTE: When the outlay on the work consists mere payments of muster rolls/other vouchers which are not revised to be sent to audit, no schedule docket need be prepared.

it should be seen that the Divisional Accounts officer has recorded the following certificate on the schedule.

“Certified that the schedules of works expenditure have been prepared after reconciling the totals of works abstracts and relevant schedule dockets”.

6.1.4 Schedule of Deposit works (Form PWA.33)

The procedure for auditing the schedule of deposit work is described in paras 4.3.13 and 4.3.14 of M.S.O.(Audit). While auditing this schedule it should be seen that the receipt under ‘Deposit’ is verified with the receipt shown in form PWA 34 the expenditure figure and the departmental charges are correct as per the schedule docket and the schedule of percentage recoveries respectively.

Note: The waiver of centage charges is not permissible except in case of non -government works costing less than Rs.1,000/-(Item vii(9)of Appendix 7 of APWA code).

As a general rule, the deposit works should be taken up only after receipt of required funds from the concerned departments. However in respect of cases where the expenditure incurred was in excess of deposit received it should be properly charged to ‘Miscellaneous works Advances’. The same should be checked with reference to entries in the schedule of Misc.works Advances.

the divisional officer is required to make a formal report periodically of the progress of expenditure in a deposit work to the Administrator or Depositor concerned. For this purpose a report setting forth the amount of the estimate, the total deposit received and the progressive expenditure should accompany the

schedule of deposit works so that, after verification of the report in audit, the A.G.(A&E) can forward it to the local body or persons concerned. Several works relating to the same depositor may be included in the report (Sub-Para.I under item 22 of para 567 of APW“ A” code).

Government have issued the following instructions to ensure that Municipalities pay regularly for the works under taken on their behalf.

No work should be started unless the Municipality deposit at least the payments expected to be made within next three months.

the departmental officer should always ensure that there is adequate balance to meet the liabilities and that if there is no sufficient balance, the work should be slowed down under notice to the Municipality.

the Municipality should be given time chart of monthly financial requirements for the whole year.

interest on excess debited to “Misc works advances” should be recovered from the Municipality, as required under rules. (G.O.Ms.no.879 HHMA dt 21-11-70).

Note: i) The rate of interest to be charged on the excess expenditure on deposit works debited to “Misc works advances” is 9% per annum from the date of debit to the date of its clearance The amounts due may be recovered ,if not paid from the non-statutory grants/loans payable to the Municipalities. (Govt. Memo no 1534 A2/69-17 dt.21.9.70 of HMMA).

Note: ii) In respect of contribution works which are executed partly from Govt funds of local bodies and also in the case of irrigation contribution works, if any expenditure is incurred by the Government on behalf of local bodies constituting an advance payment interest should be charged for the period it is advanced, (vide note(i) under para 470 of ‘A’ CODE).The rate of interest will be the rate which will be prescribed by the Finance Department from time to time.

The totals are properly worked out and shown in the respective columns and the closing balance as worked out agree with the balance as shown in the schedule of deposits and the schedule of ‘Misc works advances’.

Part II of the schedule has been correctly prepared showing the particulars of unaffected deposit works (vide para 4.3.13 of M.S.O. (Audit).

6.1.5 Classified Abstract of Expenditure (Form P.W.A.41)

While auditing the classified abstract of the expenditure it should be seen that :

It is in the prescribed form (form PWA 41) and in accordance with the classification adopted in the budget estimates.

The figures relating to works outlay agree with those shown in the schedule of works expenditure.

The figures relating suspense Heads agree with those shown in the relevant schedule of suspense heads.

The figures relating to recoveries agree with those shown in schedule docket of percentage recoveries/schedule of revenue realised.

The totals for the month and to end of the month are arithmetically accurate and

The allotment of funds is given against the units of appropriation concerned.

6.1.6 Schedule of Debits/Credits to Misc. Heads of Accounts :-(Form P.W.A.40)

In the audit of schedule of debits/credits to Miscellaneous heads of accounts it should be seen specially that the instructions given in note 2 below Article 225 of API Accounts code volume III have been observed and that the classification is noted in the column 2 in red ink.

6.2 Audit of Schedule Dockets

6.2.1 The audit of schedule dockets is conducted in accordance with the instructions laid down in para 4.3.29 of M.S.O.(Audit).It is done on the assumption that petty vouchers and initial stock accounts in support of the certified amounts un-vouched and stocks have been duly checked in detail by the Divisional Accounts officer and that such vouchers and accounts will be available for test audit at the time of local inspection of the Divisional office .It should be seen that all vouchers except those mentioned in para 569 (a) of APWA code are received in audit Cash vouchers whether relating to works or contingencies the amount of which do not exceed Rs 1,000/- except in respect of running account bills of works including final bills of works only are retained in the division (G.O.Ms.no.110 dated 31-3-81 file 15-215/VI)

6.2.2 While auditing, it should be seen that:

each work accounted for in the schedule of works expenditure and deposit works is supported by a schedule docket.

Separate dockets have been prepared for charge under stock "Purchase" M.P.W.A., Misc Head of Account "Remittance" and "Deposits".

the head of account is properly noted in the dockets.

the name of the works noted in the dockets agrees with that shown in the vouchers and schedule of works expenditure or other relevant schedule .

except in respect of unvouched charges there is a voucher complete and in the prescribed form in support of every charge.

the amount in the schedule dockets tally with the amounts of the vouchers which accompany them.

details of reference to voucher number and amount of voucher in support of the total shown against cash charges not required to be submitted to Audit have been furnished for facility of check during local inspection .

all the transfer entry orders ,enumerated in the schedule dockets are attached or if they are not attached, the reference to the schedule docket to which they are attached is given:

necessary particulars of cash refunds are given and they do not indicate any financial irregularity:

the disposal of property in the case of credit entries representing (a) sale proceeds of stores or other property or (b) their transfer value has been authorised by competent authority and that the full value (including supervision charges leviable under rules)of the property has been charged or if there is a loss, that the loss has been sanctioned by the competent authority; sale accounts and survey reports are received in respect of every credit;.

in respect of other cash recoveries, full details there of are given ;

all other credit entries (i.e. all transfer credits) are counter-balanced by one or more items of charge in other schedules;

the net charge of the month is arithmetically correct and agrees with the corresponding entry in the concerned schedule: and

each docket bears the dated initials of the Divisional Account Officer.

6.2.3 Schedule docket for percentage recoveries

When the PW. Divisions incur works expenditure on behalf of other departments of the Government, other Government etc., recoveries towards establishment, Tools and plant and Audit and Accounts charges are required to be made at the percentages prescribed in Appendix 7 of APWA code .A single schedule docket embracing all works, Government and non government, towards these recoveries is required to be submitted by the Divisional Accounts Officer along with his monthly accounts in form PWA 25. Besides checking the schedule docket with reference to instructions given in para 4.3.30 of M.S.O. (Audit), it should be seen that.....

the names of works which are assessable to percentage recoveries are detailed in column 2;

the expenditure noted in column 3 agrees with that shown in the schedule of works expenditure and schedule dockets.

the departmental charges are correctly levied in accordance with the percentage prescribed in Appendix 7 of APWA Code.

the charges are correctly worked out and properly classified under the relevant heads of account.

each charge is further abstracted at the end, major head wise for purposes of posting in the relevant column of schedule of works expenditure.

the schedule is signed by the Divisional Officer as it serves the purpose of transfer entry order relating to percentage recoveries detailed therein.

6.3 Audit of Vouchers

6.3.1 The term “audit” is comprehensive enough and connotes exercise of all the checks prescribed in M.S.O. (Audit) and automatically includes check of arithmetical calculations and checking of rates in the vouchers with the schedule of rates/rates as per the Agreement.

(CAG’s Lr.No.765-Tech.Admn II/120-65, dated 6-5-63)

6.3.2 Check of Classification

The general principles to be followed in the classification of public works expenditure are laid down in Article 33 of Account Code Vol. I. The instructions regarding the extent of audit of classification are contained in CAG’s Secret Memorandum of Instructions which should be strictly followed. During the audit of the monthly accounts it should be verified that the above principles of classification have been correctly observed. It should be verified that.... (a) all financial transactions are properly recorded in the account and are allocated to proper heads of account (b) no expenditure is

classified as “charged” except in accordance with the terms of the Constitution, conversely that no expenditure is classified as “voted” which should otherwise be classified as “charged”.

6.3.3 Classification of expenditure under “charged”

Any sum required to satisfy the award of Arbitral Tribunal which is constituted by the State with inherent judicial powers, as distinct from purely administrative or executive powers should be “charged” on the Consolidated Fund of the State.

Where the award made by a private arbitrator is filed in a court and decree is obtained thereon, the expenditure should be treated as “charged”.

The amounts due to a contractor credited to P.W. Deposits due to a dispute and paid back to the contractor in satisfaction of decree of the court for a larger amount should be classified as “charged” at the time of payment. Simultaneously the initial adjustment made while crediting the amounts to “P.W. Deposits” should be reversed.

Note: This does not apply to refund of security deposit made in satisfaction of decree of court.

Payments of decretal amounts pertaining to Deposit Works should be treated as “charged” and debited to the suspense head-”Misc. Works Advances-other items”, under the Major head-2059 Public Works” or “2701-Irrigation Navigation, Flood Control Projects” as the case may be. Simultaneously, the amount should be transferred to the deposit work concerned if sufficient balance is available or to „Misc. Works Advances-Expenditure incurred in excess of deposits received“ in the absence of sufficient balance.

(G.O.Ms.No.400 P.W (Y) Department, dated 31-3-69)

6.4 The points to be borne in mind by the Auditor at the time of conducting the audit of the vouchers are enumerated below:-

6.4.1 It should be seen that:

the vouchers are in the prescribed form;

they are written up in ink;

they are in “original”;

brief abstract is given in English over the signature of the drawing officer on all vouchers, in regional languages.

in the case of vouchers signed by payees in a language other than English, the amount acknowledged is also to be stated by the payee in his own handwriting;

the signature, the amount acknowledged as well as any remarks made by the payees in any of the modern Indian languages is translated into English;

the expenditure has received sanction either special or general, of the authority, competent to sanction it;

the expenditure has been incurred by an officer competent to incur it;

payment, as a fact, been made to the proper person, and that it has been so acknowledged and recorded that a second claim against Government on the same account is impossible.

the sum acknowledged is written both in words and figures;

very voucher bears the dated initials of the Divisional Accounts Officer in token of his check.

the charge is correctly classified and that if a charge is debitable to the personal account of a contractor, employee or other individual or is recoverable from him under any rule or order, it is clearly indicated on the voucher in the space provided for the purpose or in some prominent place.

the expenditure does not involve a breach of any of the standards of financial propriety;

the vouchers are numbered with reference to the numbers on the schedule docket or other accounts as the case may be;

sub-vouchers contain reference to date of payment;

the details work up to the totals;

all vouchers bear a pay order signed by a responsible disbursing officer;

they are stamped paid;

there are no erasures and any alterations;

stamps are affixed on vouchers for sums in excess of Rs. 500/- (see also appendix II to C.T.Rs Vol. II);

the stamps affixed are punched or cancelled;

no payment is made on an order signed with a rubber stamp;

if a voucher is paid by transfer it is stamped as having been so paid, that the head to which the amount is credited is noted on it;

when the signature on the voucher is given by a mark, seal or thumb impression, it is attested by some known person;

full name of the work as given in the estimate, the name of the component part (or sub-head) of it, if separate accounts are kept for the several component parts, and the charges (if any) which are of the nature of recoverable payments and the names of contractors or others from whom they are recoverable are clearly indicated;

the head of account, to which the charges admitted on a voucher are debitable or to which the deductions or other recoveries shown in the voucher are creditable is clearly stated in the space provided for the purpose or in some prominent position;

a certificate is recorded by the Divisional Officer in the final bill to the effect that the work has been done according to specification, drawings and plans and in accordance with the terms of contract; and either the person in whose name the bill or hand receipt is prepared signs and if another man signs, a certificate is given by the disbursing officer that the latter holds the power of attorney.

6.4.2 Every item of work in the bill should be completely described in exactly the same way as in the agreement, particularly clarifying whether the rates are inclusive or exclusive of the materials supplied departmentally. Reference to A.P.D.S.S. should be given against each item in the bill (normally, as per orders of Government there should be no free supply of departmental materials).

In all running account bills, the column „value of work done since last bill“ should invariably be filled in and the total of this column should be reconciled with the total work done up to-date less the work paid for in the previous bill.

In the case of bill for payments covered by agreements received in audit, reference to the corresponding item numbers in the relevant agreements and the quantities provided for each item should be indicated (preferably in red ink) against each item of work in the remarks column in part-I of the bill. If an item is paid as per supplemental agreement, reference to that agreement and item number should be clearly noted.

In respect of payments to contractors whose contract agreements have been sanctioned by authorities higher than a Divisional Officer, it should be seen that there are, as far as it can possibly be known, no unauthorised deviations from the rates of payment and other relevant conditions of the agreement as communicated by the sanctioning authority.

In respect of payments to contractors whether on a first and final bill or on a running account bill the value of work done or supplies made should not exceed the limit up to which a Divisional Officer is authorised to accept a tender for a contract.

In the case of any additional payment for a work for which a consolidated rate had been agreed upon which prima-facie requires some explanations, an enquiry should be made in audit to make sure that the charge was valid and that no financial irregularity was involved in its payment. If in addition to lump sum payment for a job, there is an extra payment for a work which apparently falls within the job for which the lump sum was accepted, the enquiry is undoubtedly necessary.

If part rates are allowed, it should be seen that the rates allowed are in accordance with para 306 of A.P.W.A. code and that they should be supported by proper authority; part rates would be confined only to cases where the work is not completed as per specification. No payment should be made without valid agreement or written understanding.

(a) In the case of payments appearing in a bill for removing material from a work or cutting trees from the compounds of buildings etc., there should be a note on the voucher indicating the saleable value of the material in question, and the probable date on which the sale proceeds are likely to be credited to Government.

The voucher in support of charges for dismantling old work or for its renewal should bear a note of serviceable materials available from dismantled work and of the method by which it is proposed to dispose them off.

6.4.3 In case of payments for dismantling old work, or for renewals and replacements, a certificate to the effect that the serviceable materials have been accounted for, should be recorded on the voucher.

Note: In the case of dismantlement works, clearance of jungle, trees, etc., the details regarding the disposal of the material should be furnished.

6.4.4 In all vouchers in which earth work excavation other than for foundation and trenches is paid for, a certificate that thandoos or dead men were removed should be recorded by the check measuring officer.

6.4.5 Bills for conveyance of materials should contain certificate of verification of conveyance by the Sub-Divisional Officer and/or supported by transport notes, trip sheets, boat notes, etc., whichever is applicable.

6.4.6 Where pre-measurements are necessary, the fact of having recorded such pre-measurement should be furnished.

6.4.7 The number and page of the measurement book, dates on which measurements were recorded, number and date of the agreement and date of certificate of check measurement should be recorded on the vouchers.

6.4.8 There should be no abnormal delay in payment of the bill. If no payment is made within two months from the date of record, reasons therefor should be furnished. If the reasons are not given they should be called for.

6.4.9 The recovery on account of security deposit should be properly made from the contractors in accordance with the general terms of the contract.

6.5 Recovery of cost of materials issued

6.5.1 Materials are issued to the contractors in terms of agreement conditions and unstamped receipts (USRs) are obtained from them. Full cost of materials supplied to the contractors as per agreement should be recovered in the very next bill. In case part recovery is made or recovery postponed reasons for part recovery or for postponement should be furnished, by the Executive Engineer as per paragraph 331 of A.P.W.A. code. Even in such cases, recovery should be made to the extent of the cost of materials actually utilised on the work. It should be seen that in such cases, the requisite certificate to the effect that the balance materials are lying at site or used in work not measured and paid for, is recorded on the statement.

6.5.2 The following checks should be exercised in respect of the consumption statements for materials received with the final bills:-

General arithmetical check of the statement.

It should be seen whether all the important materials issued to the contractor like cement, steel asphalt, etc., including items supplied free of cost are included in the statement. This check should be exercised with the help of the copies of the contract.

It should be seen whether consumption of each material has been indicated for each item of work as executed and whether the quantities for which consumption is worked out tally with those shown in part-I of the bill.

The quantity issued should be tallied with that shown on the statement of recovery of cost of materials.

When material is issued to contractors for use on Government work, the theoretical requirement should be worked out and statement of consumption in respect of works for which contracts have been sanctioned by authority higher than the Divisional Officer should also be sent along with the final bills to Audit. This has to be watched while auditing final bills.

(Govt. Memo.1959-coordn/72/10, dated 28.1.74, B/16-1/79-80)

If materials are drawn in excess of theoretical requirements the excess quantity should be returned in good condition. If not, their cost will be recovered at issue rate + 100% surcharge or market rate whichever is higher + storage and S.T. if leviable. (Para 332 of APWA Code)

In cases where issue of material is not contemplated in agreement, details of market rate/issue rate plus in agreement, details of market rate/issue rate plus storage charges and sales tax recovered should be furnished. Recovery should be made at market rate or issue rate plus storage charge whichever is greater.

6.5.3 Hire Charges: The recovery made from the bills should be checked with reference to details as to the name of the plant, the number of days and hours worked on each day as per log book, the rate adjusted etc.

6.5.4 When heavy plant and machinery belonging to the PWD is lent to other division, Government departments, local bodies and to contractors, hire charges are leviable, at the rates fixed in para 340(7) of APWD code. The rate of interest of 5% included in the hire charges is below the Government's borrowing rate and the hire charges do not include POL costs, crew charges etc., Government have therefore ordered that the procedure for fixation of the hire charges followed in the N.S. Project shall be followed in the entire PWD including R&B department. It has been further ordered that in view of the increase in the POL charges, interest rate etc., the hire charges should be revised and that the CEs should review the charges every year and fix suitable rates. (G.O.Ms.400 PWD dated 25-3-72/B15-16/I.P.54)

6.5.5 As the Government vehicles are lent to contractors to avoid delays in procurement of private vehicles, no tax need be levied on Government vehicle lent to Contractors for use on Government works. But the tax element should be included in the working sheet for calculating hire charges. (Govt. Memo No.2562/y/67-73, dt.24-1-70 B/15-16/P48)

6.5.6 As per para 340(a) of APWD code, when a heavy plant and machinery is lent to private parties or to contractors for use on works other than Government works the rent charges should be double the rate prescribed in para 340(7), *ibid* except in the case of boring tools for which the ordinary rate of 31 2/3% shall be charged. But when it is lent to the public sector undertakings, the hire charges shall be single rate plus 20% towards over head charges.

(G.O.Ms.No.1052 TR&B Dept. dated 11-9-75/B/15-16/II P.150)

6.5.7 Whenever deductions are made in work bill towards security deposits creditable to deposits or centage charges creditable to revenue, the item number in the deposit or the revenue schedule should be given on the voucher, to facilitate of check by audit. This should be verified.

6.5.8 The voucher should be passed for net amount whereas the acknowledgement of the contractor obtained is for the gross amount. In the case of final payment, it should be normally contain the words in full and final settlement of all claims.

6.5.9 It should be verified whether the contractors produce the income-tax clearance certificate within 6 months of the date of execution of the agreement or before submitting the final bill for payment whichever is earlier, in respect of contracts the value of which exceed Rs.10,000/-

(G.O.Ms.No.86, PWD Dated 21-01-1969)

6.5.10 Similar procedure should be adopted in regard to Sales Tax clearance certificates. The same procedure has been extended to the Public Health engineering Department.

(G.O.Ms.No.726 MA, Dt.222-9-71-WM I 15-57/Vol.III 71-72)

6.5.11 Though a deduction of 2% plus Surcharge towards income tax is to be made in the running account bills, it should be seen at the time of checking the final bills also that a similar deduction is made from the contractor. A question arose as to whether the deduction of I.T. has to be made from the gross payment or net payment due to the contractor. Where the contractor has undertaken to construct a building or a dam and the Government have undertaken to supply all or any of the materials necessary for the work at stipulated prices, the deduction towards income tax has to be made from the gross payment. Where the contractor has undertaken only to provide the labour for the work, the deduction has to be made from the amount for such labour or services.

6.5.12 Where a contractor being a firm engaged for carrying out any work or supplying labour has in turn engaged any sub-contractor, he will be required to deduct income tax at source from payment to the sub-contractor at the rate of 1% of such payment (IT Law Section 182 to 269 P.2136/841 TR/ Circular 86 dt.29-5-72 Govt. Memo No.27021/430/BG/81-2, dt.21-8-81 Finance and Planning Department 15-279/II/P.4).

6.5.13 When original bills are lost and payment is made on duplicate bills a certificate to the effect that no payment was made on the original bill should be recorded on the voucher and a non-payment certificate obtained from the payees should also be attached.

6.6 Payment on account of lump-sum contracts

6.6.1 In respect of vouchers relating to lump sum contracts, it should be seen that

When authorised additions and omissions are indicated in the lump sum contract bills, it should be examined whether there is any material variation from the original agreement. If on scrutiny, any change in design is noticed, the possibility of any loss or extra expenditure consequent on such alteration should be explored.

The work is completed within the stipulated time and wherever this is not so, necessary extension or suitable action as per the clauses of the agreement is taken against the contractor for delay in completion.

The quantities of work actually executed do not vary largely from those provided for in the agreement and not sanctioned separately by competent authority.

6.6.2 Checking of rates in vouchers received with P.W. Divisional Accounts

Before admitting any charges for Railway freight and customs claimed by a contractor, he must produce a cash receipt from the Railway authorities for the freight and customs billed for. A reference to the voucher in which freight and customs is charged should be given on each receipt which should be initialled by the officer preparing the bill as well as the Divisional Accounts Officer and submitted to this office in support of the charges.

6.7 Bills for purchase of stores

6.7.1 In addition to seeing that a certificate regarding receipt of stores in good condition is recorded on the voucher duly signed by a responsible officer and the materials have been duly accounted for, the following checks are to be conducted in the payment of sales tax:

A certificate in the following form is furnished on the voucher: "Certified that the goods on which sales tax has been charged have not been exempted under the Sales Tax Act or the rules made there under and that the charges on account of sales tax on these goods are correct under the provisions of the Act or the Rules made there under" and that in the case of supplies against regular contracts, the relevant contract includes a specific provision that Sales Tax is payable by Government.

Where the amount of tax involved is not less than Rs.1000/- in each individual case, it should be ensured that amount of tax is really payable and that the rates at which the tax has been paid are correct.

The arithmetical accuracy of the tax charged on the bills should be checked in audit to ensure that the voucher is technically free from errors. It should also be seen that :a) The contract of purchase does in-fact provide for the payment of sales tax; and b) even with the tax, the purchase has been made on favourable terms by the Government vis-a-vis other contending suppliers.

In cases where the cost of purchases exceeds Rs.10,000/- it should be seen that the payment of Sales Tax is in accordance with the provision of the Sales Tax Act. A certificate to that effect should be recorded on such vouchers over the initial of the A.A.O./S.O./Supervisor.

(Memo.No.52712/CT/55-56, dt.2-6-56 of Finance Department and AG's Orders dated 9-7-56 on WM file 4-1/55-56)

6.7.2 Comprehensive orders were issued regarding the purchase of stores. Powers of officers in respect of Stores covered by rate contract with DGSD and stores not borne on rate contract with DGSD, bidding procedure for items outside rate contract, conditions of payment, EMD etc., in G.O.Ms.No. 86 I&P dated 2-4-1980. These orders are applicable only to the divisions of Irrigation and Projects wing.

6.7.3 In the case of vouchers attached to schedule docket for purchases, reference to item number in the schedule of purchase should be given. When 10% balance payment on DGSD bills is adjusted, the relevant consignee's receipt or inspection note should be attached to the vouchers concerned. When these are not received along with the voucher the amounts should be kept under objection and their receipt watched. It should also be seen that a certificate of receipt of materials in good condition, reference to recorded entry in the measurement book and/or other original record and dates and certificate of check measurement are furnished on the voucher.

6.7.4 The duty of watching the consignee's acknowledgement of the stores as well as watching recoveries in cases where discrepancies or deficiencies are recorded by the consignee in his receipt certificate rests with the Accounts Officer of the consignee.

(CAG's Lr.No.662-Admn-II/269-52, pt.III, dt.29-5-54)

6.7.5 The consignees should attach the connected certificate to the vouchers in such cases before transmission to audit after adjustment in the Divisional Accounts and show such of those certificates as

could not be so enclosed as a separate group in the list of vouchers due against the relevant schedule dockets. (O.O.No.WM/General.I/107, dated 14-10-54)

6.7.6 Rate contract items such as vehicles, machinery, etc.

When payments are made on items covered by the rate contracts, it should be verified whether the purchase was made at rate contract rates. If local purchase is affected by the Division on the ground of urgency, the exact date of receipt of the vehicles and the date on which they were put to use should be called for from the division. The normal period within which they can be obtained had the department purchased through DGSD also should be ascertained.

6.7.7 The cost at which the materials could be procured if the purchase was affected from the manufacturers direct should then be ascertained from the Directorate of Supplies and Disposals and the loss computed for inclusion of a suitable comment in the Report of Comptroller and Auditor General.

6.8 Payment on Hand Receipt

6.8.1 Payments on hand receipts should be verified to see that:-

the charges paid are incurred under proper sanction of the competent authority.

in the case of refunds of deposits requisite certificates as required under rules have been recorded by the Divisional Officer.

6.8.2 In all vouchers in which security deposit of contractors is released, the following details/certificates should be given;

Reference to the voucher in which the final bill was paid;

A certificate that the repayment is noted against the original entry in the deposit register, cash book or adjustment register and also in the counter foil of the permanent receipt and that the original receipt was obtained back and destroyed;

A certificate that the work has been completed satisfactorily and those conditions of the contract are fulfilled and that no recoveries are to be made from the contractor.

Note: In case of refunds of deposits realised by recovery from payment made on a bill or other voucher, no separate receipts are issued for such recoveries but a certificate in the following form should be recorded on the refund voucher by the Divisional Officer:-

“Certified that the original entry in the cash book and accounts have been duly verified and that reference to the payments has been noted in red ink across the original receipt in the cash book and deposit register”. (PWD G.O.No.1614, dated 21-6-65)

6.8.3 It should be seen that the payments for arbitration awards or other special charges are admissible and that payments are made only on proper authority.

6.8.4 The percentage prescribed by the C&AG in his secret memo of Instructions for the check of hand receipts should be followed.

6.9 Transfer Entries

6.9.1 While auditing these transactions, it should be seen that:-

the transfer entries are prepared by the competent authority and that these do not disclose any defect in the procedure. The reasons for the transfer entry should be given in every case.

the entries of debits and credits pertaining to other heads of account or works are duly linked up with the corresponding schedule docket or the schedule concerned.

that they do not reveal any fictitious adjustment

Omnibus transfer entries for the receipt of materials are examined to see that purchases are made in accordance with the rules laid down for the purpose.

Note: In case of items for over Rs.500/- the date of measurement and check measurement should also be indicated. The abstract should clearly indicate the classification, name of work, reference No: and amount of estimate, reference to schedule dockets, etc.

in the case of transfer of materials from one work to another,

the dates of transfer are invariably be given,

the reasons for the transfer are furnished;

certificates to the effect that (1) the materials were urgently required in the debit work, (2) they are not urgently required in the credit work, (3) no incidental charges were incurred on the transport of the materials or if incidental charges were incurred, the proportion in which they were allocated should be furnished.

reference to the vouchers for the initial debit is given:

when advance payments made against Railway receipts for the cost of materials are debited to the suspense head „Misc. works Advances“, the transfer entry clearing the suspense head on actual receipt of materials is accompanied by a copy of the invoice containing certificate of measurement and check measurement.

in the case of adjustment of cost of plant and machinery, the basis for the valuation adopted indicating reference to the initial debit should be furnished.

6.10 Repairs to vehicles

6.10.1 In the case of maintenance and repairs to inspection vehicles such as jeeps and station wagons, EE can sanction estimates only up to Rs.12,000/- per annum per vehicle including replacement of tyres and tubes and in respect of heavy vehicles up to Rs.20,000/-. The limits are exclusive of operation and running costs. These limits refer to annual expenditure on both ordinary and special repairs. The delegation is subject to the condition that the total expenditure on each inspection vehicle should not exceed 75 per cent of the cost of the vehicles purchased before 31-3-90, and for incurring expenditure on vehicles purchased after 31-3-90 beyond 75% limit, Government's approval is necessary (G.O.Ms.No.159 in CAD [PW Code] Department, dated 29-10-92). The survey vans also come under light inspection vehicles.

6.10.2 In respect of special tools and plant other than inspection vehicles relating to Mechanical Divisions the EE and SE can sanction estimates up to Rs.50,000/- and Rs. One lakh respectively.

(G.O.Ms.No.351 PWD (PW) Department, dated 13-8-75, read with G.O.Ms.No.29 I&CAD [PW COD] Department, dated 6-3-1995- extended up to 12-8-99)

6.10.3 Lorries and tippers should be treated on par with other construction machinery and they should be excluded from the restrictions imposed in G.O.Ms.No.81, dated 25-2-71 so far as the major projects under the administrative control of Irrigation Department are concerned.

6.10.4 The vouchers relating to the work-charged establishment sanctioned by officers higher than Divisional Officers should be received in audit.

6.10.5 While auditing these vouchers, it should be seen that:

the vouchers are prepared in the prescribed form in accordance with the rules applicable to them and that they are otherwise complete in all respects;

reference to the sanction of Superintending Engineer, Government are invariably quoted in the vouchers; the posts are arranged category-wise and leave and other particulars with the dates should be clearly indicated in the bills as in the case of regular establishment bills presented at the Treasury.

the allocations of the cost of establishment among the various works is indicated clearly on the vouchers. Where the cost is allocated to a number of works the schedule docket-number of the concerned work should be given;

the gross amount of the voucher is debited to the work concerned, and

6.10.6 Land Acquisition vouchers: It should be seen that:

acknowledgements have been obtained in C or C.C form by the Land Acquisition Officer;

payments are strictly in accordance with the Land award statements and Form "A" and the amounts agree with the figures shown therein;

in respect of amounts deposited in Civil Court, the receipt in form 'D' has been received; and the totals of amounts shown in form 'A' agree with the total of the receipt in form 'D'.

all payments are made by the Land Acquisition Officer within a month of drawing the money and any amount not disbursed is refunded to the Division concerned and the details of the refund are given in form 'E'.

where payment has been made by the Division to the Land Acquisition Officer, on the requisition made by the latter and no land award statement has been received, the amount is kept under objection and a special letter calling for the land award statement from the Division/Land Acquisition Officer should be written;

payment is not made by the Division in advance of requirements just to prevent lapse of funds.

6.10.7 Certificate of payments in lieu of missing vouchers

As per CAG's letter No.812-A-II/27-85, dated 6-6-86, the acceptance of certificate of payments received in lieu of wanting paid vouchers should be done by (A&E) office. If a report is received from a disbursing officer alleging that an original voucher has been lost, a certificate of payment will be called for by AG (A&E) (vide note under para 154 of APWA code). If the payments relate to running account

with a contractor for a work, the certificate should be accompanied by a copy of the relevant bill which is required for checking the previous payments by the A&E Office (Para 5.11 of M.S.O. (A&E)).

6.10.8 Expenditure in the month of March

The irregularities which often accompany exceptional heavy expenditure in March, can usually be detected only at local inspections by the Inspecting Officer. As however, rush of expenditure in March is a common irregularity requiring closer scrutiny, the Auditors should pay particular attention to the following matters.

Every effort should be made to detect cases of unreal payments, i.e., payments charged off in the accounts but not actually made to the parties concerned at the time. Such cases can be detected only by an intelligent audit of all the acquittances received some time after receipt of the accounts to which they relate.

It should be seen that payments are not made before the work or service, for which they are due, is performed eg. payments for stores not actually received.

It should be seen that there are no fictitious stock adjustments.

It should be seen that transfers of value of material from one work to another are bonafide and supported by cartage and other incidental charges incurred thereon about the time of their actual transfer.

6.10.9 Rush of expenditure and unnecessary drawals.

Financial regulations of the government prescribe that the expenditure should be evenly phased throughout the year as far as possible as to avoid rush of expenditure towards the end of the year.

Substantial amounts of budgeted funds are being spent by the State Government in the month of March every year. Consequently large number of vouchers are received in Accountant General (A&E) from the treasuries for the month of March compared to those in other months. The transactions require intensive scrutiny as the internal control in DDO Offices as well as treasuries might be slack during the month of March due to rush of expenditure giving scope to short cuts to the stipulated procedures and increase in irregularities.

Significant cases that may frequently attract are:-

Drawal of amounts through AC Bills.

Transfer of funds to Personal Ledger Account(PLA)

Release of funds as grants in aid

Heavy payments to contractors and suppliers.

Booking of funds to suspense heads

Payments of subsidies.

Sundry payments (Including investments) to PSUs and statutory corporations. Since all possible avenues of exhausting the Budget are restored to by various departments in the month of March, Central Audit should examine the nature of payments and analyses department wise expenditure. Based on such analysis, it should be decided in Central Audit as to the selection of month for detailed audit/sample vouchers.

Audit plan should be framed in this regard by the Group Officer and got approved by Principal Accountant General. Accordingly, the field parties should be provided with necessary lead for scrutiny of DDOs records (C&AG Lr.No.659-Rep(s)/112-99, dated:08-05-2000)

The explanations furnished by Divisional Officers for heavy expenditure in March must be specially scrutinised. A fundamental principle to be kept in view is that the work done in March should be measured and paid for in the same way as work done in any other month, i.e., it should not ordinarily be paid for till April. Work completed in the early part of March may however, be measured and paid for before the end of the month, if that should be the normal course in other months. There must, therefore be a distinct evidence of rush of expenditure to justify audit taking special action, and this can only be gauged from the number of heavy payments made during the last days of March which would normally have been made in the following months. Example: a) heavy payments on account of work done but not measured when the previous bills for the same work show that measurements were made also in March for work done; b) heavy advances for materials on account of work sanctioned in March.

An explanation frequently put forward for heavy payments is that funds were provided very late. If the amounts involved are very large, enquiries should be made as to why funds could not have been provided earlier, and if the explanations are not satisfactory, the facts should be brought to the notice of the next higher authority.

Note: Audit sections should pick out with reference to March accounts, cases in which rush of expenditure has occurred and send those cases for investigation by C.W.A.C. which will conduct a detailed investigation and report to Government of cases of financial irregularities as a result of the rush of expenditure.

6.10.10 Checks to be applied in the case of vouchers not selected for audit

The Senior Auditor/Auditor should exercise the following checks in the case of vouchers which have not been selected for audit:

to see that the vouchers are generally in order and signed by the officer making payment;

the voucher contains the stamped acknowledgement of the payee wherever necessary under the rules the AAO/SO/Supervisor should examine generally such bills not selected for audit in order to see that there is nothing irregular on the face of it.

6.10.11 Audit-Enfacement

After the audit of vouchers and schedule dockets is completed in the manner indicated above, the vouchers and the dockets should be stamped „Audited“ over the initials Sr. Auditor/Auditor initials.

6.10.12 As the term “audited” includes check of arithmetical calculations etc., separate enfacement on the audited vouchers such as “computed”, “classification check” is not necessary except in the case of vouchers not selected for audit.

(CAG's Lr.No.7765-Tech.Admn.II/120-65 dated 6-5-1965)

6.10.13 Compensation payable on account of acts of god

The contractor is not, entitled to claim any compensation for the loss of materials and machinery kept at the place of execution of the works due to the unprecedented floods by virtue of proviso to clause 50 of PS to APDSS. Thus, clause 50 of PS to APDSS is attracted only if the contractor sustained only loss on account of any work executed by him. In all other cases the contractor is not entitled for any compensation.

6.10.14 Payment by bank-drafts

When payments to the firms are made by bank-drafts or postal money order deducting bank commission charges or the money order charges from the gross amount of the bills, receipts from the firms for the net amounts actually paid with a specific condition that it is in full settlement of the claim may be accepted. The voucher concerned should, however, be accompanied by a receipt from the bank or the postal department in support of the deduction of commission charges. (WMI. O.O.No.123, dt.25-10-57-WMI case 15-23/57-58)

Note: Where commission charges are to be borne by Government, the charges paid for obtaining bank drafts should be debited to the office contingencies only in respect of all branches under the control of the Public Works Department (Schedule-V to DNP Rules 1958 & Govt of A.P, PWD order 617, dated 25-6-58-WMC Case 12-2/57-59)

6.11 Advertisement charges

6.11.1 It should be seen that the advertisement charges for publication of chit tender notices in the news papers are charged to „office contingencies“ of the Division under the Major head concerned.

6.11.2 In the case of Capital Expenditure, the minor head ‘direction and administration’ should be operated upon within the Major head as part of the expenditure, relating to the scheme by debit to advertising, sales and publicity.

expenses.(Govt.Memo. No.103, dt.14.3.58 - File No.515-73/57-58)

6.11.3 Payment of packing, forwarding and other incidental charges

Generally the claims by the suppliers for packing, forwarding and other incidental charges are admissible only if, such payment is specifically contemplated in the purchase orders or in the indent as an extra charge. In order to obviate the difficulties of the departments in producing separate sub-vouchers in support of the claim for packing charges, the Government have decided that the departmental officers should call for quotations for articles inclusive of packing and forwarding charges from suppliers and that in cases where packing and forwarding charges are allowed to be claimed as an extra charge, departmental officers should satisfy themselves about the correctness and the reasonableness of the claim and furnish a certificate to that effect on the bills so that such claims may be admitted in audit.

(Govt. of A.P, Finance Department No.38168 / Exp. C 56-2, dt.18-5-56, WM, Case 15-3/53-56)

6.11.4 Cases of excessive profit made by Public Works Contractors

If in any case, it is observed that there is such firm data leading to the conclusion that a contractor has made excessive profits, the case should be taken to the personal notice of the Accountant General, so that a report may be sent to the Income Tax Department and necessary opportunity accorded to that department to examine the records at their convenience. The IAU (Works) Sections should constantly bear this instruction in mind while auditing the vouchers.

(CAG's O.O.No.491-Admn-126-45, dt.29-6-48 to A.G. Madras. Case 15-12/45-46 and WM I case 15-47/58-60)

6.12 Transmission of cheques by post

6.12.1 As one of the main objectives of audit of expenditure is to ensure that payment has, as a fact been made and has been made to the proper person and that it has been so acknowledged and recorded that the second claim against Government is impossible, it is always necessary to take the acknowledgement of the payees at the time of payment. Even in cases where the disbursing officer permits delivery of the cheques through subordinates, the acknowledgements of the contractors should invariably be taken by the subordinate concerned on the relevant bills at the time the cheques are actually made over to the contractors, though such a course might perhaps result in some delay in submitting the completed vouchers for audit. The following procedure should be observed, when cheques are to be sent by post to the payees. The bills for such payments should be got duly receipted and stamped if necessary by the contractors or suppliers concerned before the cheques are drawn. This receipt on the bill will form the authority for the Executive Engineer to part with the cheque.

Each cheque should be accompanied by a memo of acknowledgement, which the party should be asked to sign and return immediately, before the cheque is encashed. This memo should contain, in addition to the number and date of cheque acknowledged, a reference to the bill to which it related.

The memo of acknowledgement should be attached to the voucher before the latter is dispatched to the Audit Officer. If any delay in receiving the acknowledgement is anticipated, the voucher may be sent on the due to date with a remark that the acknowledgement will follow. A record should be kept of all cases where vouchers are sent without acknowledgement, and the acknowledgements transmitted, as early as possible.

6.12.2 Payments in such cases should be admitted finally in Audit only after receipt of the acknowledgements for the cheques. Pending this item should be detailed in the monthly audit notes and followed up till the acknowledgements are received.

(WM No.15-53, 533/6/8-119/0 contained in WM, File 15-33 of the 1939-49)

6.13 Minor irrigation schemes

6.13.1 Payments relating to minor irrigation schemes should be scrutinised with reference to the various orders issued by the Government from time-to-time. It should be distinctly understood that the wide delegation of powers sanctioned to the Departmental Officers and several concessions granted to Zilla Parishads were with a view to accelerating the execution of the minor irrigation works by the timely utilisation of the central loan assistance. If, despite all these orders, the execution of works is delayed in

the normal course, the desirability of reviewing such cases should be considered for inclusion of suitable comments in the report of the Comptroller and Auditor General about inordinate delay in execution of works.

6.13.2 The Public Works Divisions shall be in charge of investigation of all new sources, tanks, anicuts and river channels and shall execute all such schemes, but small anicuts shall be executed by the Zilla Parishads. The estimates for initial restoration of tanks to public works standards should be technically approved by the PWD. All new sources including initial restoration of tanks in an ayacut of 25 acres and up to 100 acres in the Telangana region and 25 acres up to 200 acres in Andhra region should be executed by the PWD and handed over to Zilla Parishads for maintenance. In order to avoid delays, estimates for construction of new irrigation sources by Zilla Parishads should be approved after personal consultation between Superintending Engineer, PWD, and Executive Engineer, Zilla Praja Parishads.

6.13.3 All schemes costing Rs.1 lakh and more which are subject to the levy of betterment charges should be continued to be sent to the Commissioner of Land Revenue The Chief Engineer (Minor Irrigation) should obtain the reports before according administrative approval to the scheme.

(Govt. Of A.P., G.O.Ms.No.100, dt.18-1-63 and G.O.Ms.No.2246, dt.14-11-63, file No.WM-I/Z/1-1/62-62, Vol.IV)

CHAPTER-7

AUDIT OF REMITTANCES AND CASH SETTLEMENT SUSPENSE

7.1 General

7.1.1 The General rules under which one department of the Public Services may charge another department under the same Government or any department under another Government for services rendered or supplies made to it are given in Chapter-4 of the Account Code Vol. I. The rules relating to Public Works Department are contained in Chapter-XVI of APWA Code. All such cases of adjustment payments are done by operating on one or the other of the following remittance heads:

Public Works Remittances

Remittances into Treasuries

Public Works Cheques

Other Remittances

- (i) Items adjustable by Civil Officers.
- (ii) Items adjustable by Public Works Officers

Remittances in other accounting circles

Cash Settlement Suspense Account

7.2 Accounting of Remittance Transactions

7.2.1 All Remittance transactions including the transactions relating to payment or withdrawal of money into or from the treasury are accounted for through CSS account, the Schedules of Debits/Credits to Remittance and Schedules of Debits/Credits with Railways, Post and Telegraph and Defence.

7.2.2 Public Works Remittance

The transactions of the Public Works Officer, with Treasury and other officers of the civil department within the Audit Control of this office may be of the following classes:

Cash remitted by officers of the Public Works Department to the treasuries.

Cheques drawn by officers of the Public Works Department on treasuries.

Transfer transactions between the officers of the Public Works Department on the one hand and officers of the Civil Departments or other Governments on the other hand. These transfer transactions may comprise:

Work done by one party on behalf of other party;

Stores supplied by one party to or on behalf of the other party.

Miscellaneous transactions between the two parties.

7.2.3 The transfer transactions between the Divisions were, up to 30th June, 1965 classified under the head "Transfers between Public Works Officers". Subsequent to date, the transactions are being adjusted through the medium of "Cash Settlement Suspense". However, the head "Transfer between Public Works Officers" has not been abolished. The balance outstanding on the date mentioned above are required to be cleared by affording responding debits/credits to that head of account.

7.2.4 Items of class I of para 7.3 are shown under “I Remittances into Treasuries” and those of class ii) under “II-Public Works Cheques”. The former is treated as credit in the accounts of the division and debits in those of treasury. Similarly, the latter is treated as credit in the accounts of the division and debits in those of treasury. The reconciliation of these two sets of figures is effected through the Schedule of Settlement with Treasuries.

7.2.5 Items of Class (iii) of para 7.3 classified under “III-Other Remittances” either as “(a) Items adjustable by Civil Officers” or (b) “Items adjustable by Public Works Officers” according to the transactions, are adjustable against Civil Officers or Public Works Officers.

Schedule of settlement with Treasuries (Form-PWA-26)

7.3.1 The Schedule of Settlement with Treasuries is designed to:-

effect reconciliation of the Divisional transactions under “I-Remittances”/II-Public Works Cheques” with the amounts acknowledged/paid by the Treasuries, and to show month after month the progressive difference between Treasury and Public Works figures under I-Remittances into treasuries and II-cheques, and to analyse the differences, so that speedy action could be taken for their clearance. It is incumbent upon the Divisional Officers and Divisional Accounts Officers to obtain the Consolidated Treasury Receipt and certificates of issues after getting the pass books written up and arrange to clear the difference by personal contact with the treasury, wherever necessary, instead of merely exhibiting the difference in the schedule month of after month and year after year.

7.3.2 The schedule should be audited in accordance with the provisions of para 4-3-18 of MSO (Audit). Besides exercising this check

it should be seen during audit, that in respect of parts I and II

The figures in line (1) should agree with the closing balances of previous month;

(b) the figures shown in line (2) agree with those in the monthly accounts under the heads I-Remittances into Treasury and II-Public Works Cheques;

the figures in line (4) agree with the figures shown in the Consolidated Treasury Receipts and Consolidated Treasury issues of the Treasury Officer, which should be enclosed in original;

the figures in lines (5) have been correctly worked out;

the differences shown in line (5) have been properly analysed and adequate action has been taken by the Division to settle the differences and there is consistency in the reasons given therefor with reference to the previous schedule.

Where items of remittances have remained unacknowledged for more than two months a list of such items should be given to the Inspecting Officer for investigation of reasons therefor during inspection.

Where the Schedule of Settlement with Treasuries have not been received continuously for more than two months, the fact should be brought to the notice of the Inspecting Officer for investigation.

7.4 Cash Settlement Suspense Account

7.4.1 The procedure of settling the inter-divisional transactions was changed with effect from 1st July, 1965.

The amounts owing by one Public Works Division to another including the Divisions of other Governments, should be paid by cheques or Bank-drafts, while those due to non Public Works Departments of the same Government or non-Public Works Department of other Government should, in the absence of any orders to the contrary be adjusted by book transfer.

To accommodate the inter-divisional transaction pending settlement in cash, a new minor head "Cash Settlement Suspense Account" is opened under Major Head-8658, Suspense Accounts with the under-mentioned sub-divisions.

Transactions between Public Works Divisions rendering accounts to the same Accountant General, and
"Transactions between Public Works Divisions in different Account Circle

All transactions relating to services rendered or supplies made by one division to another should be initially classified under the suspense head referred to above, pending clearance on receipt of cheque/bank draft from the Division concerned.

7.4.2 Cash Settlement Suspense Accounts should not be operated if the amount involved for the month is less than Rs.10/-. The transactions should be settled in cash by actual payment through a special messenger in the case of local divisions, and by remittance by money order in cases of out-station divisions. (CAG's Lr.No.3351-Admn.II/70-65, dt.25-10-66)

7.4.3 The Divisions are required to send to this office schedule of Cash Settlement Suspense Account giving division-wise details of balances outstanding. The transactions under this head should be settled within ten days of receipt of the advice from the Division originating them.

7.4.4 While auditing the schedule, it should be seen that:

It has been prepared in the form prescribed.

The opening balances shown are correct as per the closing balances of previous months schedule.

The debits agree with those shown in the schedule docket and monthly account

The credits agree with the figures shown on the receipt side of the monthly account

The claims are settled within ten days and those not settled so, are taken up with the respective Executive Engineers.

That at the close of the year there is normally no balance under this suspense.

(WM.I/A/15-112/71-72/50, dated 26.07.1971)

In the case of items pertaining to PAO, suspense or suspense heads, the name of the PAO or suspense head to which the item pertains is noted in red ink against the items concerned.

7.4.5 In Circular memo No.32940/Mc(1)/91-31. dated 28-8-91, the Engineer-In-Chief (R&B) advised the Executive Engineers not to entertain transactions for supply of materials and services on adjustment basis hereafter but to insist on payment of cash for such transactions, so as to put a stop to further accumulations of CSS Accounts.

7.4.6 Operation of C.S.S. Account is discontinued from 1-7-94 in Irrigation Department consequent on introduction of District P.A.Os. All the balances outstanding under C.S.S. Account as on 30-6-94 should be transferred to the District PAO for pursuance and clearance on priority basis.

Thereafter, all such transactions shall be settled by means of Bills of cost, instead of C.S.S. Accounts from 1-7-94 (Govt. Memo No.161(a)/Ser.2/94-1, dated 21-4-94 of Finance and Planning (Projects Wing) Department - File CWAC/B/15-56/94-95.

7.5 ACCOUNTING OF CPWD TRANSACTIONS:

7.5.1 Similarly in respect of transaction relating to CPWD, the procedure was laid down in paragraphs 17-2-1 (b) and 17-2-6 of the revised edition of the Central Public Works Account Code, the extracts of which are appended below:-

17-2-1 (b)- When transaction on account of supplies made or services rendered, etc., has to be settled in cash, i.e. by cheque/bank-draft, the monetary settlement should be effected by debiting the amount due to the Suspense Head Cash Settlement "Suspense Account" under M.H 8558-Suspense Account, pending clearance on receipt of cheque/bank-draft from the division concerned. The detailed procedure to be followed in this regard is given in appendix-7 of CPWD A Code.

17-2-6 (b) - As regards work done in a public works division on behalf of another Division including the Divisions of other Governments, the claim should be settled by the Divisions amongst themselves, without the intervention of the Accountant General. The requisite vouchers should however be sent to the Accountant General with the monthly account. If, as a result of audit, it is noticed that an excess payment has been made, the responding division will claim the amount of excess from the originating division by operating on the "suspense" head "Cash Settlement Suspense Account", treating the item as an original transaction. On the contrary, if short payments are noticed in audit, the originating division will send a supplementary claim for the balance to the other Division.

7.5.2 In order to enable the Public Works Divisions to settle the excess/short payments in the manner indicated in this paragraph, the Accountant General will notify the discrepancies noticed in audit both to the originating and the responding divisions.

CHAPTER-8

AUDIT OF SUSPENSE HEADS, DEPOSITS AND WORK-SHOP ACCOUNTS

8.1 SUSPENSE HEADS

8.1.1 The accounts of the minor head “suspense” are normally kept in each division under a single major head of expenditure. The account is sub-divided, according to the requirements of each division, into the following heads:

Stock; Purchase; Miscellaneous [Public] Works Advances; and Workshop Suspense.

Besides these suspense heads, there are the balanced heads of account Viz., Deposits and Takavi Work Advances, which are generally audited on the same lines as the suspense heads proper. The transactions recorded under these heads must ultimately be cleared either by payment or recovery in cash or by adjustment.

8.1.2 The schedules relating to the heads mentioned above are audited and reviewed in accordance with the general instructions contained in paragraphs 4.3.22 to 4.3.26 of the MSO (Audit). In addition to applying the ordinary procedure of audit of expenditure and receipts to the transactions under these heads, it should be generally seen;

i) that the unadjusted balances under the respective heads are correctly carried forward serially and individually from month to month; that the balances continue to represent bonafide assets or liabilities of Government capable of being realised or settled, as the case may be;

Note: It should be specially watched in audit that satisfactory action towards the realization or settlement of the balances is being taken by the Divisional officers concerned in respect of each separate item under these heads.

(i) that the accounts of the several heads are so detailed that the clearance of each distinct item there under may be watched independently;

(ii) that no item in these accounts remains unadjusted longer than is reasonably necessary for clearance in the ordinary course, under the rules applicable thereto;

(iii) that the audit of schedules of March is supplemented by the audit of certificate Nos.: 1 to 3 in the Annual Certificate of Balances in Public Works Account Form No.P.W.A.46 which is submitted by the Divisional Officers within six weeks of the submission of the monthly account for March (supplementary) vide Article 235 of the Account Code Vol.III. The special features of these suspense and deposit heads are described in the succeeding paragraphs.

8.1.3 Schedule of debits to stock

The suspense head “stock” has to be necessarily operated where materials are purchased in advance for use on several works and requisite sanction for the reserve stock limit also has to be obtained with reference to the pace of receipts, issues and the stock to be held in the divisions. Absence of sanction for reserve stock limit should not be an excuse to debit the entire cost of materials purchased for general use to any specific work. Even if there is no sanction for reserve

stock limit, „stock“ should be operated and sanction therefor obtained from the Government. The procedure of debiting the cost of materials purchased for general use to one work and then transferring the cost to other works without operating on the suspense head “stock“ is irregular.

(WMC/A/150308/317, dt.13-12-80, Govt.Memo No:343/C 1/80-81, dt. 6-3-80)

In the Schedules of debits to stock (Public Works Account Form No.28) the debits are required to be arranged separately under (1) Manufacture, (2) Land, Kilns etc., (3) Storage and (4) other sub-heads. Under (1) are detailed all manufacture operations in progress, under (2), all works in progress in connection with the acquisition, construction and repairs of land, kilns etc., under (3), are shown the expenditure which is incurred after the acquisition of stores, on work-charged establishment employed on handling and keeping initial account, the custody of stock and maintenance of the store, godown or yards and under (4), are shown a) individually all items of expenditure on the carriage, handling etc., of stock materials when the cost of such processes is chargeable to stock, b) individually all items of acquisition of stock materials for which an estimate is required under rule, and c) collectively all other items of acquisition of stock materials. In respect of manufacture operations, the out-turn of the month under each operation is also required to be shown in the schedule

In case in which a detailed estimate can be dispensed with under rule, the amount of expenditure as authorized by competent authority may be accepted as the amount of a sanctioned detailed estimate.

8.1.4 Manufacture Account

The detailed rules for manufacture account are contained in paras 395 to 407 of APWA Code.

When the manufacturing operation is shown as completed, it should be seen that the Divisional Officer has taken action, in accordance with Article 163 of the Account Code, Vol.III, to adjust the difference between the progressive figures of “operation“ and “out-turn“. In cases of omission, his attention should be invited to the rule, and the matter pursued until the difference is settled and the account of the manufacture is closed, when a suitable note (attested by a member of the superintending staff) should be recorded in red ink in the column for “remarks“.

8.1.5 Stock Account

i.) The Stock Account (Public Works Account form 29) is divided in to two parts. Part I is designed to show the receipts, issues and balances separately in respect of the various sub-heads opened under stock. Part-II of the account ‘Detailed account of Issue’ should be examined first. The section of this part relating to ‘Issue to Works etc.’ should be agreed with the relevant entries in all the schedule dockets of the month, and the remaining issues should be traced from the several accounts as indicated in the form. Part I should next be checked. It should be seen that

a. the opening balances are correctly brought forward from the previous month,

- b. the totals under receipts agree with the total debit in the relevant schedule docket of stock,
- c. the total under issues agrees with the details given in part-II,
- d. the closing balances have been correctly worked out,
- e. the closing balance of stock, excluding any items of the sub-head 'Manufacture' which are not debitible against the sanctioned reserve limit of stock, does not exceed that limit.

Note: As stock account represents assets of the Government, there should not be any minus balance under any of the sub-heads except under „storage“ where there may be a minus balance. If the balances under any sub-heads happens to be minus figure, the reasons therefor should be enquired by a special letter.

8.1.6 In the audit of the schedules, it should be specially seen that the acquisition of stores is made economically; manufacture accounts are not kept open indefinitely; (vide para-398, APWA Code) in addition to the value of the raw materials, the cost of labour employed and other incidental charges connected with a particular operation, which are charged directly to be the manufacture account and the capital charges are correctly adjusted against the manufacture account concerned; before the accounts of a manufacture are closed, the difference between “operation and „out-turn“” is adjusted under the orders of competent authority; the periodical clearance of the amount held under 'land, kilns etc.' is carried out in accordance with the orders of the authority sanctioning the initial charge; the monetary limit for the stock reserve of a division as prescribed by a competent authority is not exceeded;

any fictitious stock adjustments which are detected are taken up and brought to notice of the Government;

the value of stores found surplus or short is adjusted and that all losses due to depreciation of stores or to other causes are dealt with under the orders of competent authority; and,

if there is any balance under storage in the account for March, the Division is addressed calling for the reasons therefor and enquiring whether the issue rate requires change. It should generally be seen that the balance under the sub-head 'storage' becomes

'nil' at the end of the year and if any balance is left, it is adjusted a loss or gain, as the case may be.

(para-418 of APWA`s Code)

8.1.7 Schedule of purchases

When materials are purchased either specifically for a work or for general storage, the cost of these materials should be debited to the work concerned or general suspense head “stock”. Where the payment is not made and the materials are received in advance, the cost should be debited to the work by contra credit to the suspense head 'purchases' by means of a Transfer Entry Orders; where payment for the cost of stores purchased is made within the

same month, the cost should be directly debited to the work concerned instead of routing the same through the sub-head of suspense 'purchases'. The Division should send every month the schedule

of purchases in PWA Form No.30/31, along with the monthly accounts furnishing only Transfer Entry-wise details of transactions. The claims outstanding for more than six months should be detailed in the schedule for March and September and for other months only the affected items should be given.

8.1.8 While auditing the schedules it should be seen that:-

- i) the schedule is received every month;
- ii) the opening balance agrees with the closing balance of the previous month;
- (iii) the transfer entry-wise details of credits are furnished for the total and they agree with the figures in the relevant transfer entries;
- iv) the total of debits agree with the figures in the schedule docket of purchase; and,
- v) the closing balance has been correctly worked out.

In addition, an abstract account of credits, debits and balances of the purchase account should accompany the monthly account to prove the accuracy of the monthly transactions through broad-sheets of suspense accounts.

(CAG`s Ir.No.258-Admn-II/435-61, dt.14-2-62, P-III/15-201/I

8.1.9 Schedule of Miscellaneous Works Advances (Form-PWA.32)

The scope of the sub-head „Miscellaneous Works Advances“ is given in Article 217 of Account Code Vol-III and para 419 of APWA Code. This head is divided into four parts.

Part I: Sales on Credit, **Part-II:** Expenditure incurred on Deposit Works in excess of deposits received, **Part-III:** Losses, retrenchment, errors, etc., and **Part-IV:** Other items. No item of expenditure should be debited to this head which is beyond its scope.

The schedule of Miscellaneous Works Advances should be furnished in Form-PWA.32 in which only the items effected during the month should be detailed individually.

The unaffected items should be grouped together.

8.1.10 While auditing the schedule of Miscellaneous Works Advances, it should be seen that:-

- the figures relating to debits agree with those in the schedule dockets concerned;
- the figures in the credits agree with the relevant contra entries. If the amount represents cash recovery, a note to that effect should be furnished in the remarks column. In all other cases, the reference to schedule docket number, transfer entry order number, etc., should be given;
- the schedules for the month of September and March contain all items pending for more than six months;
- the Division furnishes every month a report on the progress of clearance of outstanding items in the Miscellaneous Works Advances;
- the classification of the expenditure is within the scope of this head of account as prescribed in Account Code, Vol-II.

Note-1: The payments made on the proof of despatch of Railway receipts, should then cleared on receipt of the materials by debit to the work/stock as the case may be.

Note-2: The advances paid to the work-charged establishment towards festival advances, etc., should not be debited to this head but should be debited to the accounts of the work concerned and their recovery watched separately by the Division.

8.1.11 Transfer of Balances

When a division is closed or a part of the division is transferred to another division or at the time of reorganisation of divisions, the balances under suspense and deposit heads should be corrected on a proforma basis without affecting any account adjustment. So also, when a work of one division is transferred to another division, the adjustment should be made by proforma correction.

(O.O.WM I/A/15-215-68-69/10, dt. 2-3-68/193/III)

8.1.12 The Division which has to transfer the balances should prepare extracts of the Register of suspense heads and forward them to the Division to which the works are transferred, which should include these in the opening balances in its registers. Simultaneously, both divisions should furnish to this office, the months in which the balances have been dropped/incorporated proforma and the amount involved.

8.2 Public Works Deposits

8.2.1 The transactions under Public Works Deposits should be categorised under the following parts:

cash deposits of sub-ordinates;

cash deposits of contractors;

deposits for work to be done;

deposits of contractors on closed accounts, and Miscellaneous.

In part-I, the deposits made by the subordinates, i.e., Supervisors, Cashiers, etc., are classified. In part-II the deposits recovered from the contractors, viz., Earnest Money Deposits, Security Deposits recovered in excess of Rs.500/- etc., are classified. In part-III, the deposits for work to be done are classified in lump for all works put together the details of which are furnished in the schedule of deposit works form-PWA 33. Part IV contains classified amounts due to contractors on final bills which were not received by them either due to a dispute or otherwise. Part-V, contains all other transactions which can not be classified in other parts.

8.2.2 Rules for the disposal of the deposits of sub-ordinates and contractors are contained in paras 454 to 459 of APWA Code. Rules for lapsing of deposits are contained in para 463 of APWA Code.

8.2.3 The schedule of deposits should be furnished every month in form PWA 34. The special points requiring to be noticed are enumerated in para 4.3.26 of MSO (Audit).

8.2.4 While auditing the schedule, it should be seen that:

(i) the amounts are properly categorized as prescribed in APWA Code.

Note: Sales Tax collected from the bills should be credited to “Public Works Deposits, Part-V, Miscellaneous” and remitted once in quarter in the Treasury under the final head of accounts “0040-Sales Tax”;

(ii) the schedule is received only for the affected items every month;

(iii) the figures in part-III deposits for work to be done agree with those shown in the Schedule of Deposit Works;

(iv) contra references are given for the credits and the references to schedule docket are given for all payments in the „Remarks“ column. If the credit represents cash recovery, a note to that effect should be furnished in the remarks column.

(v) the debits are not in excess of the corresponding credits in the schedule; that no undue delay occurs in the clearance of items classed as „Miscellaneous Deposits“;

(vi) that acknowledgements for payments of deposits on the contractors closed account set forth such particulars as would expedite the settlement of these accounts in connection with the works concerned; and

in the accounts for March (Supplementary) the items which have to be lapsed to revenue are lapsed by means of Transfer Entry Orders.

8.2.5 Interest-bearing securities

This need not be sent to central audit as this will be subject to cent percent check during the local audit. (CAG's Lr.No.1374-TA II/265-29, dt.25-10-80, 16-1/80-81/II P:140)

Closing Balance : Check unadjusted charges and unpaid wages with the details shown in the reverse side of account. Check unadjusted charges with Col.15 of the Schedule of work done. See that the closing balance represents the difference between the total operation and out-turn as shown in the schedule of debits to stock (Col.5 against „workshop manufacture“). See that the balance shown in this schedule agrees with the balance shown in the abstract of stock account.

Schedule of work done: Separate schedules should be prepared for the different classes of works and an abstract also prepared.

8.4 PROFORMA ACCOUNTS: While auditing the proforma accounts, the following instructions should be borne in mind:

8.4.2 The out-turn Account:- This should show the charges on labour & stores and general and indirect charges.

CHARGES

The opening balance of unadjusted charges should agree with the closing balance of the previous year;

The cash and labour payments, material and the total of indirect charges and the net general charges should agree with the total of debits under the Workshop Account Current as per account for all the months put together. They should also agree individually with the figures shown therein.

OUT-TURN

The figures should agree with the total of col.14 of the schedule of workshop manufacture for all the months put together.

8.4.3 Profit and Loss Account:- This should include -

On one side(1) interest calculated on the mean capital of the year under all the heads mentioned in (1) above.

Note:- The rate of interest prescribed for the calculation of interest on capital outlay of Irrigation, Navigation and Flood control projects should be adopted for calculation of interest on capital of workshop also.

Actual maintenance charges of buildings, machinery and plant :- This should agree with the figures of maintenance and repairs in the schedule of works expenditure.

Depreciation of building, machinery and plant calculated on the capital balance at the prescribed percentages:- It should be seen that the capital agrees with figures included in the capital account under the various heads and that the depreciation has been properly calculated.

General establishment charges:- If the entire division is in charge of workshops only, the expenditure on the establishment on the entire division including that of the General Superintendent should be taken into account. Where, the workshop is only a part of the work of the division, i.e., where only a sub-division is in charge of the workshops, the entire establishment directly employed on the workshops should be taken into account with a suitable percentage of the divisional office establishment and besides this charge, a

percentage on the pay of officers and pay of establishment towards pensionary charges should also be added and Audit and Accounts charges at 1% on such job in respect of which this percentage is not credited to the major heads „0070-Other Administrative Services-Fees for Government Audit“ in regular accounts.

On the other side, the actual recoveries on account of indirect charges effected from the works executed as prescribed under para 449 of the APWA code excluding the recoveries relating to audit and accounts charges credited to „0070- Other Administrative Services Fees for Government Audit“.

The net balance under „General Charges“ in the workshop manufacture accounts should be taken to „charges“ or „out-turn“ sides of this account, according as it is loss or gain.

This account will indicate the necessity or otherwise for revising the percentages of indirect charges recovered as per para 449 of APWA code.

CHAPTER-9

Objections on Public Works Transactions

9.1 General

9.1.1 In auditing the accounts of expenditure and of receipts, the Auditor should bear in mind that audit should be conducted on broad principles, and while taking care to prevent unnecessary expense and irregularity, he should not be too meticulous in trifling matters which are of no importance to the finances of the State. In considering a departure from financial regularity in any transaction or documents, the Auditor should ask himself:

Whether it infringes any of the standards of financial propriety, as laid down in para 2.2.39 to 2.2.41 of M.S.O. (Audit);

Whether it is of such a nature that although not specifically referred to in the code, a voucher should be rendered invalid by the defect not being remedied; and

Whether it would impair the completeness of the documents or of the transactions concerned.

If the answer is in the negative, the defect will generally be of trivial nature and it need not be objected to.

9.1.2 Chapter 4 of section IV of the Manual of Standing Orders (Audit) deals with the subject of objections in Audit and the matter of their communication to the Executive and the controlling authorities. In writing-up of audit notes in Form M.S.O. (Audit-3), care should be taken to observe the general principles laid-down in paras 4.4.2 to 4.4.4 and 7.1.33 to 7.1.36 of MSO (Audit).

9.1.3 A note of objection taken on a voucher or any item in the schedule or other account should be recorded in detail in separate papers which should be treated as office copy of the audit note. The list of documents not received till the time of completion of audit should also be included in the audit note. Wherever special reports are required to be written, an indication "S.R" should be made against the item concerned and the special report should be made separately.. Whenever, the money values of objections are to be noted in the objections book, the indication "O.B." should be noted against the item. Whenever arithmetical check has to be done, the details of calculations made should be enclosed to the office copy.

The item number or para number in the audit note should be indicated on the documents in which the objection is raised.

9.2 Preparation of Audit-Note

9.2.1 Except in special cases (where the approval of the Branch Officer is necessary), there should be no correspondence with the Divisional Officers on points connected with or arising out of the audit of monthly accounts. All such remarks and enquiries should be communicated through the Audit Note. The Audit Note should be prepared in two parts, in Form No.MSO (Audit-3) as laid down in para 4.4.2 to 4.4.3 of MSO (Audit).

9.2.2 Audit Note should be very carefully scrutinized by the AAO/SO/Supervisor and Branch Officer in order to see that routine and trivial objections noticed during the scrutiny of accounts are not included therein. Objections of similar or identical nature should be grouped together.

9.2.3 Brevity, conciseness and clearness are the essential requisites of an Audit Note. At the same time it should be noted that entry of an objection either in the Audit Note or in the objection book should be sufficiently descriptive so that ordinarily no necessity should arise for referring again to the voucher or the account concerned. It is of utmost importance that any statement of criticism or of irregularity should be accurate, fair, moderately worded and dispassionate. A reference to the rules should be made wherever necessary. It should also be noted that all observations and objections must be conveyed in courteous and impersonal terms and must be clear and intelligible.

9.2.4 Mere corrections in accounts should be advised by correction statements or half margins,. Routine or minor objections of the following types should be entered in a separate register and if the same irregularities persist for three months, they should be recorded in the Audit Notes and pursued.

- Amount of the bills not expressed in words.
Want of dated signatures in Part-II of the bill.
- Want of dated signatures in Part-III of the bill.
- Want of particulars regarding the mode of payment to contractors when the contractor's acknowledgement is after the date of issue of the cheque.
- Want of Sale Account and Survey Report when the amount involved is small i.e., within Rs.25/-.
- Want of contra reference to Transfer Entry credits and debits.
- Want of agreement number in the bill when the agreements are not required to be sent to audit.

In the case of running account bills in which the usual percentage deduction is not made, want of reference to deposits made by the contractors.

Want of particulars for minus expenditure in the schedule docket if the nature of the minus expenditure could not be easily ascertained.

Delay in payment of contractor's bills for three months or more.

Enquiry regarding the probable date of submission of wanting documents.

9.2.5 Persistent disregard of the rules

Any persistent disregard of the rules specially if it seems to indicate a fraud or is likely to lead to one as also omissions to follow the directions already given by this office should be brought to the notice of the Divisional Officer or other superior authority by means of special letters instead of including them in the audit notes. When ordinary inaccuracy or carelessness in the preparation of bills, etc., is noticed, the Auditor should, in addition to following it up through the audit notes, note the office which is particularly careless and which pays no attention to directions or repeats mistakes, draw the attention of the head of the office to the state of affairs by a special letter. The charge of carelessness and inaccuracy should be substantiated in this letter by sufficient evidence. A letter of this kind is likely to fetch good

results. If, however, no effect is produced by such letter then the matter should be taken up with the higher authority.

9.2.6 Special reports

When an irregular or excess outlay of serious nature is discovered in the course of audit of the monthly accounts, the Auditor should, without waiting for the issue of the audit note, initiate immediate action so that a special report of such items may be made through a special letter vide also para 7.1.7. of MSO (Audit). All special reports should be submitted to the Sr.Dy. Accountant General (ES) for approval. The essential requisites for a special report is the unique or important nature of the point taken up as distinguished from the ordinary entries in the periodical reports and promptitude with which it is taken up. The AAO/SO/Supervisor should bear this in mind in passing on such documents to the Branch Officer who will likewise exercise his judgment as to their fitness for being taken up in a special report. If he does not pass the report, he will record his reasons on it and the documents will then be filed with the audit notes as warrant for their inclusion in that document.

9.2.7 Issue of the Audit Note

The audit notes should be prepared in two parts and should be separately signed by the Branch Officer as soon as they have been passed. In Part-I of the audit note cases of wanting estimate and Administrative approval for over six months as seen from Part-I of the Works Register maintained by A.G (A&E) should be incorporated vide para 4.4.2. of MSO (Audit). Part-II of the audit note should include all other observations whether relating to substance of the accounts on the score of deviation from financial rules or standards of financial propriety or misc. remarks, observations and enquiries on minor matters and objections to the form of the accounts and vouchers. In the preparation of this part of the audit note, a distinction should be observed between 1) Remarks and observations indicating errors of omission or commission on the part of the D.A.O. in compilation or preliminary examination of the accounts and 2) Points relating to the substance of the transaction brought to account.

Objections relating to certain standard categories e.g. “want of sanction to special charges”, “over payments and short recoveries” and “delays in adjustment of debts due to Government”, should be included in this part of the audit note, under suitable headings. Under each of these headings the first entry to be made in red ink should give the total amount of the objections awaiting adjustment including those relating to the accounts of the month to which the audit note pertains, details of the latter being stated there under concisely but clearly in the columns provided for the purpose.

Note: The amounts of objections when entered in the money columns may be expressed in the nearest Rupee. (Para 4.4.3. of MSO [Audit])

Observations based on the audit of vouchers and dockets should be commented upon duly quoting the references to provisions. Comments based on propriety ground should be taken up by special letters and marked to the inspection parties. Errors in calculations should be prominently brought out. The bills where there is no record of check measurements should be grouped. Similarly, certificates of outstanding recoveries, theoretical calculations of material consumed etc., which are not furnished in the

final bills should also be grouped. Comments about non-recovery of income-tax from the bills should also be grouped.

Want of vouchers, stamped receipts, simple acknowledgements amounts due for recovery based on audit and review and want of agreements should be grouped under this section. Recoveries which can be waived under para 7.1.13 of MSO (Audit) should not be included in the audit note.

Observations on the outstanding balances under I remittances or II cheques and under various suspense heads need not be repeated every month, but can be done once in six months. (O.O.No.B/16-1/73-74/38, dt.25-4-73/P.22).

After the entry in objection book wherever required, parts I and II of the audit note should be sent to the Divisional Officer for his explanation and replies, with the remarks that part II should be returned direct to this office and part-I through the Superintending Engineer so that the latter may add his comments and orders.

9.2.8 a) Ordinarily, the audit notes should be received back in the audit office within a month from the date of their issue while half-margins and rejoinders should not take more than a fortnight.

Habitual delay in the return of audit notes should be brought specially to the notice of the Sr. Dy.Accountant General (ES-I) delays exceeding two months in the case of return of audit notes etc., as well as cases of habitual delays in the return of documents should be brought to the notice of the Divisional Officer personally and if the irregularity is not set right, the matter should be brought to the notice of the controlling or administrative authority concerned.

It should be seen that the explanation and replies of the Divisional Officer are signed by the Divisional Officer himself and not by the D.A.O. Copies of sanctions or orders of the competent authority referred to in the replies should be called for before clearing the items from objections.

9.2.9 The audit note on return to this office must be disposed of without delay. Any entries requiring action by, or information from, other sections dealt with and initiated accordingly by those sections and any items needing action during inspection of the division entered after Branch Officer's approval, in the register of points for inspection. The remarks against other items will usually be "accepted, corrected, checked and filed, note put-up, rejoinder, and O.S., and so on according to the nature of each item.

9.2.10 i) In order to reduce the number of rejoinders, AAO/Supervisor should carefully scrutinize audit notes which have not been finally disposed of within a reasonable period and take special measures for their final disposal by issue of half margin memoranda or special letters to the Executive Engineer or the administrative authority as the case may require. Such half margin memos or special letter should or special letters should give a precise of the previous correspondence on each point. The audit note should then be recorded and all subsequent correspondence in connection with outstanding points should take place by letters.

ii) The audit note will be pending till all the points raised therein are finally settled. When all the points are settled the word „finally closed“ should be written up on the audit note and signature of Branch Officer obtained before recording.

9.3 Progress register of audit notes and objection statements

9.3.1 As soon as the audit note is issued, a note thereof should be made in the progress register of issue, receipts and disposal of audit notes, and objection statements kept in form S.Y-207 prescribed for this purpose. The punctual return of the documents should also be watched through this register.

9.3.2 The register should be reviewed weekly by the AAO/Supervisor on 7th, 14th, 21st and 28th, to ensure that the objection statements and audit notes are being disposed of promptly. The register should also be submitted to the Branch Officer on the 15th of each month.

9.3.3 Register of objections

The objections raised on the accounts and vouchers should be registered before they are issued to the Divisions concerned. Registration of objections falls under two categories.

- Items for which money value should be recorded. (Para 7.1.33 of MSO (Audit) and
- Item for which no money value need be recorded (para 7.1.32 of MSO [Audit]).

9.3.4 The following classes of objections fall under the category (i) indicated above.

- Want of vouchers
- Want of sanctions to special charges
- Overpayments and short recoveries
- Delays in the recovery of sums due to Government (not recovered within reasonable period)

Note: The reasonable period referred to above shall be as follows:-

Delays in the adjustment of outstanding dues of Government in the suspense schedules: Six clear account months. (DAG`s Orders dated 28th September, 1933 in the file TM 15-17/775/33-34)

- Want of allotment and excess over allotment
- Expenditure placed under objection on grounds of financial propriety.
- Expenditure on deposit works debited to Misc.Works Advances.

Miscellaneous:

Want of stamped receipts

Want of Agreement Bonds

Other items. (O.O.No.WMI/K/DI/5, dated 21-4-1965)

9.3.5 The following classes of objections fall under the category (ii) mentioned above.

- Directions for further guidance
- Stamp not affixed on a voucher otherwise complete
- Habitual delays in the submission of account returns, vouchers etc.,
- Fictitious adjustments and manipulation in accounts (unless an actual loss has resulted)
- Deviation from rules. (indicating of disregard or evasion of rule but not representing charges incurred without proper sanction).

➤ Excess over allotment for public works suspense heads. (When an assurance is received from competent authority that the excess is temporary and will not affect the net allotment for the year).

Note: If in the absence of such an assurance the money value of the objections has been registered, minus entry should be made in the money columns for objections on receipt of assurance.

Errors in accounts, vouchers etc., which do not indicate any deficit or surplus.

Instructions / remarks on the form of account etc.,.

Demands for information not received.

Doubtful points, and

Minor errors of procedure.

9.3.6 The objections arising out of inspections should also be registered under “Miscellaneous Other Items”. I.R.Cell should indicate in the edit note the serial number of the para of the I.R and the money value of the objection. The details of objections should be clearly indicated in the objection book giving a short summary of the objection and the para number of the Inspection Report. (O.O.No.WM-I/B/15-201/65-66/46, dt.12/10/65)

9.3.7 Overlapping of objections

When a single transaction relating to a work or distinct object of expenditure becomes open to two or more categories of objections, for which money value is to be noted, the same should be recorded under each class in the objection book. In order, however, to avoid exaggeration caused by such overlapping of objections the amount overlapping should be recorded in a separate section of the objection book giving full particulars such as reference to record of individual objections, etc, and excluded from the collective statistics. A few illustrations are given below.

i) Work-A

Want of Agreement Bond	Rs.500
Excess over appropriations	Rs.600
Total amount under objection	<u>Rs.1,100</u>

Amount overlapping i.e. total amount common to all objections Rs.500/-

(ii) Work-B

Want of stamped receipt	Rs.1,500
Excess over appropriation	Rs.1,300
Want of Agreement	Rs.1,100
Total amount under objection	<u>Rs.3,900</u>

The amount overlapping in this case is Rs.1,300 plus Rs.1,100/- viz., Rs.2,400/-.

9.3.8 (i) The objections raised through part II of the Audit Note are recorded in the Objection Book (Form MSO (Audit)-4), a separate objection book being maintained for each Division. Separate pages should be set apart for each category of objection mentioned in para 9.13 supra. A few

pages should also be reserved for noting items of overlapping objections (vide para 4.4.13 of MSO [Audit]).

In respect of objections raised for want of copy of Agreement or Supplementary Agreement, it should be ensured that the name of the work in full and the number of Agreement are invariably noted in the objection book in addition to the Schedule Docket Number. Cash-Book Voucher Number and the month of account and the subsequent payment on running account when objected to, should be recorded against the original item, so that at no time should there be more than one item outstanding in the objection book for want of a copy of a particular agreement. Only the amount of the voucher should be included in the objection book and not the value of the contract.

Full particulars viz., month of account, schedule docket number, name of the work, nature of objection etc., should be recorded in clear and definite terms so that reference to the principal voucher need not be made at a later date. The amounts kept under objection should be entered in the relevant monthly column and the progressive total struck. In respect of the category „want of vouchers“, the number of vouchers due should also be indicated along with the amount involved and shown within brackets. The total of all the items under each category should be struck and abstracted at the end of the objection book. Year-wise details of outstanding and clearance under each category of objections should also be furnished in the objection book in addition to the abstract, so as to facilitate easy collection of statistics from time-to-time. Separate folios should be set apart for this purpose.

A table of contents should be written up on the first page of the objection book to indicate the pages in which each category of objection book to indicate the pages in which each category of objections is recorded. The objection book should also be provided, inside of the outer cover, with a tabular statement in form S.Y.316 for the initials with dates of the Sr.Auditor/Auditor, AAO/Supervisor and the Branch Officer in token of the posting and check of the transaction of each month. A few pages should be set apart at the end for preparing general abstract.

9.4 Monthly closing of Objection Book

9.4.1 As and when the documents are received or the replies are accepted the objections should be cleared by noting the amount under the column „Amount Cleared“. The totals of the amounts kept under objection and/or the amounts cleared should be struck and the monthly closing of the objection book should be carried out in the manner laid down in para 4.4.18 of MSO (Audit).

9.4.2 After despatch of the Objection Statements for the month, the money columns in the Objection Book should be totaled, the balance of the past month should be added, the totals of adjustment should be made in the Adjustment Register and entered in the Objection Book and the balances struck. The AAO/SO/Supervisor will sign the certificate at the foot of the page or last page of the Objection Book for the month which will be closed and balanced on the 15th of the second following month to which the accounts relate.

Note: The outstanding balance in each column of the objection book is to be carried forward from month to month, and from year to year. (para 7.1.52 of M.S.O.(Audit).

9.4.3 Clearance and watch over objections

The responsibility for prompt settlement of objections and their removal devolves primarily upon the Divisional Officer concerned. The supervisory staff and the Branch Officer should carefully scrutinize the objection book, when reviewing and passing the monthly accounts and take action in respect of delays in settling objections in accordance with the instructions contained in paras 4.4.16 and 4.4.17 of M.S.O.(Audit).

It should be carefully borne in mind that an objection once raised can be removed from the records of objections only under the initials of the Branch Officer or of a member of the supervisory staff. These officers are held responsible for seeing that the authority exists in each case for the removal of an objection from the objection book.

The Branch Officer and the AAO/Supervisor will be personally responsible for keeping the controlling authorities fully acquainted not only with individual cases of serious disregard of financial rules, but also generally with the progress and clearance of objections. It should not be considered sufficient merely to enter the objections raised in the successive statements of objectionable items sent to the Divisional Officers. All important items and any serious delay in the adjustment of individual objections should be specially reported to S.Es, by means of letters immediately after they come to notice in the course of review of the objection book or the objection statement. Items which remain unsettled inspite of these reports to the Superintending Engineers or, are otherwise serious or important should be reported by special letter to the Chief Engineer and to the Secretary to the Government. Discretion should be exercised in the selection of irregularities for report to the authorities higher than the S.E.s. Cases of abnormal delays in disposal of objections or serious or important irregularities etc., should be reported to those authorities with the approval of Sr.Deputy Accountant General (ES-I).

9.4.4 (i) In addition to reports through special letters, the statement of all outstanding objections pertaining to the accounts of the division for over six months should be sent by IR Cell-to Government in the form prescribed in Annexure-I with copies thereof to the Chief Engineer every half year on 20th July and 20th January, to expedite the clearance. A comparative statement showing the number and amount of objections should also be furnished (vide Annexure-II).

For the above purpose, IR Cell should furnish material on 1st July and the first of January to IR cell in the proforma indicated in Annexure III to V separately, for each Division (WM-I/I/15-19, 69-70/29, dt.29-1-70).

9.5 Formation of Adhoc-Committee for settlement of paras

9.5.1 The Secretary (Expenditure), Government of India, Ministry of Finance in D.O.Lr.No. 12 (49-E(Co-ordn.)/66, Dt.27-2-1967 addressed to all Administrative Secretaries to take suitable remedial measures for reducing the backlog of Audit Objections. It was also mentioned that where a Ministry had a large number of chronic objections which have somehow defied attempts at settlement in the ordinary manner, the Ministry may consider the appointment of an ad-hoc committee including a representative

of Audit, as an observer, to go through the backlog and dispose of the objections by taking appropriate action against each one of them.

9.5.2 In G.O.Ms.No.226, Finance and Planning (FW-PAC) Dept. dated 29-7-1986 instructions were issued by the Government of Andhra Pradesh, that ... efforts should be made to settle the outstanding audit objections initially at district level and also with the Heads of the Departments. Audit objections and paras of inspection reports which could not be settled at the level of Heads of Departments and also those objections which the Accountant General desires specifically to be brought to the notice of Government, shall be reviewed by the concerned Secretary to Government.

9.5.3 Government have therefore decided to constitute Audit committees with the Secretaries to Government of the administrative department as Chairman for undertaking the review of the Audit Objections and paras in the inspection reports. The Accountant General or his nominee, the Head of Department concerned and also the Additional Secretary/Joint Secretary/ Dy.Secretary in charge of the Expenditure Department in Finance Department shall be members of the Committee. The Dy.Secretary of the administrative department in charge of Legislature work or any Dy.Secretary nominated by the Secretary shall be the convenor of the Committee. The Committee shall meet once in two months and the report of review shall be sent to the Special Secretary (Finance).

9.5.4 In G.O.Ms.No.461 T.R.& B (D1-3) Department, dated 21-10-1986, Audit Committee for that department was constituted. Similarly, in G.O.Ms.No.249, Irrigation and C.A.D. (PAC) Dept. dated 5-6-1991, a similar Committee was appointed for review of progress in settlement of Audit Objections and paras of inspection reports.

9.6 Miscellaneous

9.6.1 Whenever any vouchers are not received along with the monthly accounts, such items should invariably be noted in the objection book and prompt action taken to call for the voucher from the A.G.(A&E) Office. Items over six months old under this category should receive special attention and they should be pursued by D.O. letters. Such cases should also be referred to the Inspection Parties inspecting the concerned Divisions.

9.6.2 Further, according to Manual of General Procedure all the Section Heads are required to inspect in detail the table of each Auditor with a view to ensuring disposal of every paper/voucher in the Section. The AAO/SO/Supervisor must overhaul the papers/vouchers etc., with the Auditors as frequently as possible, so that the examination of all the Auditors records is ordinarily completed in the course of the month. The result of these inspections should be briefly reported in a fortnightly progressive report to the Branch Officer on the 10th and 25th of each month.

(O.O.No.WM/B/15-201/18, dated 10-9-76.VII, page 18)

9.6.2 Works started on the grounds of urgency or otherwise without sanctioned estimates, etc.

The report containing the details of work falling under the category envisaged in para 177 of APWD Code should on its receipt be examined by the Audit Section and a report to the Government or the Chief Engineer with such comments as may be found necessary, duly supported by the statement

prescribed in Annexure-III to Chapter 3 of this Manual should be sent. For this purpose all the Public Works Officers should furnish information on the following points.

The nature of urgency or other reasons for starting the work without an estimate or/and financial sanction. Whether the work has been started on the Divisional Officer's own responsibility or in accordance with the orders of higher authority which should be specified. Whether tenders were called for and if so, the basis on which they were called for in the absence of a sanctioned estimate, and when the sanction to the estimate is expected to be issued. (Circular No.WM-I/15-12/53-54/66, dated 12-3-54)

9.6.4 Waiving of Objections

The powers delegated to the Audit Officers in regard to waiver of Audit Objections on the transactions of the Government are given in para 7.1.13 of MSO (Audit). The powers should be exercised freely but with discretion so as to avoid unnecessary time and labour on objections of a simple and unimportant character.

The outstanding items in the Objection Book should be reviewed with a view to clearing by waiver as many times as possible which come within the powers of the officers for waiver. The sections should submit each case with a brief note to the Accountant General/ Sr.D.A.G (E.S.-I) or the Branch Officer in charge explaining the nature of objection and the reason for recommending the waiver. The powers of waiver can also be exercised in the case of objections mentioned in paras 7.1.34 of MSO (Audit) for which money value need not be kept. For instance, it is not necessary to record money value where enquiries and remarks are made on doubtful points but still there may be a definite amount at stake. If the case and the amount come within the purview of para 7.1.13 of MSO (Audit) the Auditor should make necessary proposals for waiver.

9.6.5 A few types of objections where the discretion for waiver allowed by para 7.1.13 of MSO (Audit) can be freely exercised are given below:

- Errors of calculations in vouchers, assessment of rents and percentage calculations.
- Want of vouchers and stamped receipts. and
- Irrecoverable amounts outstanding in suspense schedules etc.,

In regard to (i), the particulars of objections should be noted in the Register and the Register should be submitted to the Branch Officer with the connected documents. The Officer will pass the necessary orders if it is within his competence or record his recommendations for the orders of Sr.DAG/AG. On receipt back with orders, the extracts of the orders should be noted on the office copy of the Audit Note. An intimation should also be sent to the Divisional Officer through the Audit Note that the amount has been waived. As regards ii), omission in obtaining signatures of payees in the Acquittance Rolls may occur. Enquiry may first be made if the receipts are easily available or obtainable and if not the Divisional Officer should state whether the amounts have been correctly paid to the parties concerned. If the replies are sufficient, the objections may be waived and the fact recorded in the Register. In other cases enquiry should be made/only after the voucher has been called for twice, once in the Audit Note and the second time in the rejoinder. In the case of items coming under category iii) when the amounts

involved are Rs.50 or below, enquiry should first be made as to how the amounts have become irrecoverable. If the explanations are clear and no fault attaches to the Executive, the facts may be recorded in the Register. Otherwise the Divisional Officer should be requested to obtain the reasons therefor from the officer responsible with his remarks through the S.E.

9.6.6 Register of Objections Waived

This register should be kept by all IR Cell submitted to the Branch Officer in charge on 10th of every month. Objections waived under para 7.1.13 or MSO(Audit) should be recorded in the register vide 7.1.24 of MSO (Audit).

9.6.7 Annual closing of Objection Book

The annual closing of Objection Book should be made in accordance with the instructions contained in para 4.4.20 of MSO (Audit).

Note-1: If an objection taken in the Inspection Report of the CAG it should not *ipso facto* result in the removal of the objection from the objection book. In cases where the objections involve money value (as for example recovery of over payments, want of financial sanction etc.,) the objections have to be pursued to the finality and should not be dropped from the objection book. Where the objections are raised on grounds of propriety they can be dropped from the Inspection Report/Objection Book after their incorporation in the report of the CAG for discussion in Public Accounts Committee and further action thereon watched through action taken on notes and reports of Public Accounts Committee separately.(CAG Lr.No.1829-TA/7-256-71, dated 25.7.71)

Note-2: The regularization of excess over a grant for a year is to be obtained through the recommendation of the Public Accounts Committee, the main purpose of which is to deal with excess over voted grants revealed by an examination of the accounts as finally prepared. If as a result of any orders passed in pursuance of report of the Public Accounts Committee any sum has to be recovered from the Officer who has incurred expenditure in excess or in the absence of an appropriation, its amount would again appear in the books of the Audit Officer as a final objection.

9.6.8 A new Objection Book should be opened every year. Objections should be carried forward with full details while copying so as to avoid difficulties for clearing the items at a later date. The Section Heads should ensure this while certifying that all outstanding items of previous years have been carried forward to the current year's Objection Book. A consolidated certificate that the new objection books have been opened duly carrying forward all the outstanding items from the previous register, should be furnished by the audit sections to CWAC on 15th September each year.

Annexure - I

(referred to in para 9.4.4 [i])

Statement of Objections outstanding for more than six months

Sl. No.	Name of the Division	Want of vouchers		Want of simple receipts		Want of agreement bonds	
		Items	Amount	Items	Amount	Items	Amount
1	2	3	4	5	6	7	8

Non recovery of overpayments		Miscellaneous		Total (Money value objection/item)	
Items	Amount	Items	Amount	Items	Amount
9	10	11	12	13	14

Annexure-II

(referred to in para 9.4.4[i])

Comparative statement showing the number and amount of objection

As on and
As on

Sl No	Name of the Department/Branc h	As on		As on	
		Items	Amount	Item	Amount
1	2	3	4	5	6

Annexure-III

(referred to in para 9.4.4 [ii])

Statement of objections outstanding for more than six months

Name of the Division	Want of voucher		Items held under objection for over six months				Head of office/Chief Engineer				Amount	
	Item	Amount	Want of Stamped Receipts		Want of Agreement Bonds		Non-recovery of over payments		Miscellaneous		Total	
			Item	Amount	Item	Amount	Item	Amount	Item	Amount	Items	
1	2	3	4	5	6	7	8	9	10	11	12	13

Annexure-IV

(referred to in para 9.4.4 [ii])

Details of items held under objections

Name of the Division

Head of the Office

Sl. No	Nature of the Objection	Month-Year	S.S.T.	Voucher	Amount	Remarks
1	2	3	4	5	6	7

Annexure-V

(referred to in para 9.4.4 [ii])

List of amounts cleared from the previous statement

Name of the Division

Head of Department/
Chief Engineer

Sl. No	Nature of objection	Month of Account	Voucher No.	Amount Rs.	Remarks
1	2	3	4	5	6

CHAPTER-10

APPROPRIATION AUDIT - CERTIFICATION OF APPROPRIATION OF ACCOUNTS AND AUDIT REPORT

10.1 Appropriation Audit

10.1.1 The general principles and rules of audit against provision of funds are given in para 2.2.3 to 2.2.10 of MSO (Audit). The responsibility for watching the progress of expenditure against a grant or appropriation devolves on the Executive which is ultimately responsible for keeping the expenditure within the grant or appropriation. The progress of expenditure against each unit of appropriation and against each grant or appropriation is watched by the AG(A&E).

(Para 3.14.1 of MSO[Audit])

10.1.2 Audit of Sanctions

Orders of allotment of funds and re-appropriation orders received in audit should be scrutinized to ensure that-

- The order has been issued by a competent authority,
- the allotments made are not in excess of the amounts available under the grant or appropriation,
- the amount appropriated is available under the unit from which it is allotted,
- the amount re-appropriated is not for meeting expenditure on a “New Service” or a “New Instrument of Services”
- no amount is re-appropriated from one grant or appropriation to another grant or appropriation

no amount is re-appropriated from “charged” to “voted” and *vice versa*, and no funds provided under “plan” heads are re-appropriated to “non-plan” heads without the previous consent of the Finance Department.

(Para 3.14.2 of MSO[Audit])

10.1.3 The appropriation accounts are compiled and sent to Report Section (W&F) in AG (Audit) I by the WAC Section of AG (A&E) by 5th September for certification.

(Para 11.4 of Manual of Works Accounts Department of AG [A&E])

10.1.4 Test check of compiled accounts month-to-month

The XVIIIth Conference of Accountants General had recommended in para III on “Strengthening of Accounts and using it as an aid to Management” that “As extension of the year end check and certification of the Finance and the Appropriation Accounts by the Accountant General (Audit), CAP or any other staff of his office could be profitably utilized for test checking the correctness of the compiled accounts from month to month and for watching clearance of DAA and other suspense heads”.

10.1.5 This recommendation has been accepted by the CAG and instructions were issued in his general circular No.2-Audit-II, 92 communicated in Lr.No.87/Audit II/35-91, dated 24-1-92. The

checks to be carried out to provide a meaningful check on monthly accounts and other basic records that go into consolidation of Final Accounts of the State are given in Annexure-I and also in Appendix-23 of MICA.

10.1.6 In Office Order No.6, communicated in No.CWAC/B/14-39/93-94, dated 29-12-93, the work of checking the compiled accounts etc., of R&B Department and Irrigation & CAD is entrusted to the IR Cell.

10.1.7 The Sections should follow the instructions of the Head Quarters Office without any omission. They may get the programmes approved for this purpose in consultation with the Accounts Officer, Works Compilation Section of AG (A&E) every month. The results of the check of the accounts are to be submitted to the Group Officer through the Branch Officer every month.

10.1.8 Appropriation Audit for Major Works

Specific appropriation is necessary for a major work. The appropriation audit of expenditure on major works costing more than Rs.25 lakhs in respect of Project Works and Rs 2 lakh in respect of non-Project works should be conducted in the audit sections as laid down in para 126(b)(2) to (4) of the APWA Code and the audit sections should communicate the expenditure on works without appropriation or in excess of appropriation through part I of the Audit Note.

10.2 Material for Audit Report

10.2.1 The material for draft paragraphs, schematic review of selected topics etc., for inclusion in the Audit Report should be sent to the AG as and when collected and not in one bunch. The editing of draft paragraphs is done in draft para cell. The last batch of the draft paragraphs should be sent not later than 31st July. For this purpose, they are to be prepared continuously throughout the whole year and not confined to only a season of an year. The D.P. Cell/IR Cell should review the Factual Notes/important I.R.paragraphs sent to Government for remarks, prepare draft paragraphs and send them to AG through the Group Officers as and when finalised. It should be ensured that draft paragraphs are brief and the thrust of the paragraphs is brought out very clearly. Brevity, but not at the cost of clarity, should be the approach.(O.O.Report-II/11-1/81-82/1, dated 8-4-81/IRC/III/DP/81-82).

10.2.2 According to circular O.O.No.report II-1/67-68/76, dated 1-12-67, draft paragraphs on important irregularities noticed during inspection should be prepared and the facts therein got verified by the heads of institutions visited and a copy thereof should be sent to the Accountant General by name. Only potential cases are reported to the Accountant General. The D.P.Cell / IR Cell should process such cases with a view to early transformation into draft paragraphs. A monthly report should be put up by that section to the Accountant General, by the 10th and routed through the Report Section, indicating a) the number of such potential cases as have been

finalised (either by dropping the same or proposing draft paragraphs), b) current status in respect of the rest. (C.Report/II-I 72-73/4, dt.7-6-72/IRC/III/80-81)

10.2.3 *In proposing draft paragraphs, the following points should be borne in mind:*

They should be self contained, i.e., the material necessary for an intelligent appreciation of the points raised should be available in the paragraph itself. Facts should be marshalled in a logical order and there should be no missing links. The focus of the paragraphs should be clear and points of weakness/failure brought out should be placed in proper perspective. Steps taken or proposed to rectify/improve matters should be brought out. The emphasis should be on the quality rather than on quantity, on analysis rather than mere narration. In the case of short paragraphs dealing with individual cases of lapses, defects etc., the nature of irregularities or impropriety, involved should be self evident from the narration. In the case of long paragraphs which are commented upon, there should be a summing up at the end.

10.2.4 (a) In the past, instances of extra expenditure were considered to be very important. But now, when the country is making strenuous effort to raise the level of living of the common man, special efficacy rather than instances of extra expenditure should be considered as the most important subject matter for comment in the Report.

The review of programmes should not contain a mechanical comparison of targets and achievements or a comparison of the estimated expenditure with the actual expenditure. Such a comparison itself does not show any light on special efficacy of the programme. Rather it is a comment on the estimating accuracy. On the other hand, if actual accomplishment has been substantially less than the level of staff and facilities provided, then, that could possibly be a matter of comment. Even in making this comment, it should be ensured that with the level of staff and facilities provided, much more could have been accomplished had care been taken of certain matters. It is only from this angle that linking of physical/financial targets as well as physical/financial achievements could be done for comparison and appropriate comments included in the reviews. (Addl.CAG's D.O.Lr.No.1000/Rep/83/72, dt.5-6-72, C.S.23 to para-111"A" of A.A.D.Manual)

10.2.5 Other material for inclusion in the Audit Report is indicated in Annexure-II. As these should be sent to Report section by 31st August, IAU (W) Sections should send the material to D.P.Cell, by the dates prescribed in respect of each item. D.P.Cell / IR Cell should consolidate the same and send the material in one batch, but not in piece-meal.

ANNEXURE-I

(referred to in para 10.1.5 of this Manual)

Checks assigned to IAU(W) in respect of Checking of Accounts

Nature of Checks	Periodicity/Section
a) Check of Classification	
-to see that full classification as per „Budget“ has been recorded; where any amount is provisionally classified under „Other receipts/other expenditure“ on the basis of insufficient/incomplete classification, proper follow-up action has been taken to get the particulars from the D.D.Os. concerned.	The check will be carried out as per provisions in paras 2.2.6 of MSO(Audit) and para 11 of Secret Memo. of Instructions; para 2.4 read with Annexure 2.4.1. of MICA. (Appendix 23 of MICA)
-the classification of „Loans“ should receive special attention to see that all the repayments have been booked properly.	Departmental Compilation Section
(b) Broad-sheet of D.A.A. Suspense	
-to ensure that all the transactions which are required to be accounted for, have been accounted for.	1/3rd of the Broad sheets maintained every month.
-the amounts which were classifiable under „O.B.Suspense“ were not kept pending under D.A.A.	Departmental Compilation section
(c) Register of O.B.Suspense	
-to see that in cases of wanting vouchers, proper and timely follow-up action had been taken to obtain the wanting documents.	1/3rd of the Registers maintained every month.
-wanting vouchers subsequently received were duly accounted for.	Departmental Compilation.
(d) Register of Loans and Grants from Government of India	
-to see that loans and grants released from Government of India were promptly adjusted. In cases where Government of India Sanction were found wanting, immediate action was taken for obtaining the same.	Monthly Loan and Book section
Adjustments	
-to see that all adjustments relating to ways and means advances, short fall in cash balances, over-	Monthly Book Section

drafts, cash balances investment account and other

investment accounts were promptly carried out.

(e) Inward/Outward claim registers

Quarterly

-to see that all outward claims were preferred against the concerned accounting authorities promptly and all inward claims were promptly examined to the extent the claims were found acceptable necessary

Account Current Section

action was initiated for adjustment and payment of the claims.

(f) Adjustment Register Quarterly

-to see that the Suspense Slips in respect of Account Current Section adjustments affecting Revenue and Service heads

were promptly prepared and sent to the concerned Compilation section for incorporation.

Objection Book/Broad-sheet relating to Quarterly unclassified suspense

-Account Current Section

-to see that adequate action was taken for obtaining wanting particulars/documents from the concerned accounting authority; clearance of items placed under the head was made promptly on receipt of wanting particulars/documents

(I) Broadsheets of R.B.Suspense/PAO Suspense

Quarterly

-to see that timely and effective action was taken for clearance of balances under these heads. In respect

Book-section

Account Current Section

of claims preferred against outside authorities awaiting reimbursement, a proper pursuance was made.

Broad-sheets of R.B.Deposits (CAO & Quarterly

Headquarters)

Book-section

-to see that broadsheet had been maintained properly

Account Current Section

and differences between AG's figures and RBI's figures were properly analysed and suitable action was taken for settlement of differences.

(k) Register of valuables in A.C.Section

Quarterly

-to see that Bank draft received from outside accounting circles in reimbursement of claims were

Book-section

Account Current Section

promptly deposited in the Bank for credit to Govt. account and the Bank drafts obtained in reimbursement of inward claims were promptly despatched.

(l) Classified/Consolidated Abstracts

3rd and 4th quarters to be checked fully.

- to check whether these had been maintained properly/timely

Departmental Compilation
Section

(m) Combined transfer ledger

Annual

see that all the adjustment necessitated due to All D.C Sections to be misclassification or otherwise in previous month(s) selectively covered in a year

had been incorporated and the mode of adjustments adopted was correct

Departmental compilation
Section and Book Section

(n) Check of action taken on reconciliation statements

Annual

- see that all the adjustments necessitated due to misclassification or otherwise in previous month(s)

All D.C.Sections to be
selectively covered in a year.

had been incorporated and the mode of adjustments

Departmental Compilation
Section and Book-section.

adopted was correct.

(o) Adverse Balances

Annual

-to see that cases of adverse balances noticed on annual closing of accounts were promptly brought to the notice of concerned groups for investigation and initiating rectificatory action.

To be checked at the time of annual closing of accounts alongwith the other checks already prescribed.

Book-section

ANNEXURE-II

Material for inclusion in Audit Report

(referred to in para No.10.2.5. of this Manual)

Cases of losses etc., written off or recoveries waived by a competent authority during the year. This may be given by IAU(W) sections (Heads of Department wise) as shown in proforma (1) by 15th July to D.P. Cell. It should be ensured that the items already included in the previous reports are excluded from the material for the current report. Cases where complete disciplinary action was taken, recovery ordered and also suitable remedial measures taken need not be included though the amount may not have been completely recovered. These cases in so far as they related to National Highways should be included in the material for union Government (Civil) only. Copies of the orders indicating the acceptance or otherwise of the sanctions should be sent. A list of such cases may be sent to the Heads of the Departments/Government in advance and the number and date of the letter in which this was sent should also be indicated in the statement. Cases of unserviceable articles written off by survey reports should be omitted.

Cases of expenditure declared to be „New Service“ but not incurred without either advance from Contingency Fund or a supplementary provision as per proforma-V. This should be sent to I.R.Cell by 15th July by all IAU (W) sections and inspection parties.

Cases of expenditure ordered to be met from Contingency Fund (pending provision by supplementary grant) but incurred without necessary provision of funds together with the correspondence initiated with Department/Government, as shown in proforma-VI. This should also be sent D.P.Cell by 15th July by all IAU(W) sections and inspection parties. Outstanding inspection reports and paragraphs to the end of March and outstanding as at the end of September.

Year-wise details of pending reports and paragraphs in respect of each department, should be given separately. The number of I.R.s and paras for which even the first replies have not been received should also be indicated.

Outstanding I.Rs and paras specially brought to notice of Government and the stage of the correspondence.

A statement showing the consolidated position of pendency of number of IRs and paras issued to end of March and pending as on 30th June should be furnished by IAU(Works) Sections to D.P Cell(Works) by 15th July in Proforma VII so as to furnish the consolidated statement by 31st July to the Report Section. This statement contains details of Paras outstanding, monetary value involved and cases where first replies not received.

A similar statement in Proforma VIII should be prepared by IAU(Works) Sections showing the details of IRs/Paras outstanding during preceding five years including backlog if any and furnished to D.P.Cell(works) by 15th July in Proforma VIII for further consolidation and transmission to Report Section by 31st July.

The above information is required to be featured as a consolidated para on outstanding IRs to be included in Chapter III of the Audit Report.

Cases of withdrawal of funds in advance of requirements. A paragraph on such withdrawals should be sent to Government through Report Section before 31st July.

Cases of diversion of funds from high priority schemes to other schemes.

Review of arbitration cases:- The cases referred to arbitration should be reviewed and draft para proposed with a statement incorporating the information in the proforma-II.

Broad reasons given in cases decided against the Government should be indicated in a separate sheet with full details.

All cases of unutilised machines, equipment etc., commented upon in the Inspection Reports may be consolidated and the material sent together with the information of the consequences of their non utilisation in proforma-III.

Review of cases of misappropriation (position at the end of September) should be given to Reports Section by 4th October by CWAC and all IAU(W) sections. Statistical information in this regard may be obtained from the o/o A.G.(A&E). (proforma IV)

One of two important cases reviewed by IAU(Works) Sections, separate draft paragraphs on two or three important cases of misappropriation/defalcation and losses may be proposed in addition to the statistical information cases relating to National Highways may be sent separately.

Comments relating to significant cases involving change in the destination of grants should be furnished by all IAU(W) sections and inspection parties by 15th of July.

Para on correlation of expenditure with physical progress to highlight cases where the physical progress of the projects/schemes/programmes fell short of targets should also be furnished by all IAU(W) Sections and inspection parties by 15th of July.

Non-production of records

A consolidated comment is to be incorporated regarding non-production of records to facilitate a discussion on it in Public Accounts Committee. The information should be furnished by IAU(Works) Section to D.P.Cell(Works) Section positively by 15th July.

The para has to be attempted on the lines suggested by headquarters highlighting significant cases in Proforma No.IX.

(Authority CAG's Lr.No.1123/Repl(S)/112-97 dated 20-11-1997 communicated vide circular No.5 dated 8-2-2001 of CWAC)

Details of Schemes abandoned after incurring expenditure as per Proforma X should also be furnished to D.P.Cell(Works) by all IAU(Works) Sections by 15th July after thorough scrutiny.

(Case No.Report.I/II-3/2001-02/ O.O.No.2 dated 3-5-2001)

PROFORMA-I
(Referred to in Annexure-II)

Statement of losses, irrecoverable revenue, duties etc., written off to be given
(Head of Department wise)

Separately under each department

Sl. No.	Reference to the write off sanction (with copies of sanctions)	Subject matter in brief	Amount written off	whether accepted in audit
1	2	3	4	5

PROFORMA-II

(Referred to in Annexure II)

Arbitration cases for the year

Sl.No.	No.of cases outstanding as on 1-4-.....	No. of cases referred to arbitration during the year	Total	No.of cases disposed		No. of cases contested by Govern-ment	No. of cases outstanding as on 31 st March
				No. of cases decided against Government	No. of cases decided against contractor		
1.	2.	3.	4.	5.	6.	7.	8.

Note: Broad nature of reasons given in the cases decided against Government may be furnished in a separate sheet with full details.

PROFORMA-III
(Referred to in Annexure II)

Unutilised machinery and equipment during..... The information should be based on the I.R.s
of the Division.

Sl. No.	Name of the Division	Name of the machinery	Date of purchase	Cost of each item of unit	Purpose for which purchased	Consequences of non-utilisation of such machinery/equipment	Remarks
1	2	3	4	5	6	7	8

N.B: Cases included in the Audit Reports of earlier years may be omitted.

PROFORMA-IV

(Referred to in Annexure II)

Mis-appropriation of cases during

(Reported by the Heads of Offices to Government division-wise and Chief Engineer wise lists to be enclosed)

No. of cases outstanding as on 1 st April	No.of items	Amount involved
Cases reported to Audit during the year		
Total		

Cases disposed/finalised during the year

Cases outstanding to the end of 31st March

Note: Cases relating to NH Circle, Central Divisions to be furnished separately.

PROFORMA-V

(Referred to in Annexure II)

Cases of expenditure declared to be 'New Service'

Name of the Division	Name of the Work	Reference to sanction No. & date	Amount of estimate	Expenditure incurred during the year	Stage of correspondence with Government/ Department (copies to be enclosed)	Remarks
1	2	3	4	5	6	7

Note: It should be ensured that no provision was made for such work in the Budget for the previous years.

PROFORMA-VI

(Referred to in Annexure II)

**Statement of expenditure met from Contingency Fund pending supplementary grant
but incurred without provision of funds.**

Name of the Division	Name of the work	Reference to sanction & date	Expenditure incurred during the year	Stage of correspondence with Government/ Department (copy to be enclosed)	Remarks
1	2	3	4	5	6

PROFORMA VII

(Referred to in Annexure II)

**Position of I.Rs/Paras Issued to end of 31st Marchand pending as on
30th June**

Year	Name of the division	Month and year of IR	Paras outstanding	Monetary value	Cases where first reply not received
1.	2.	3.	4.	5.	6.

PROFORMA VIII

(Referred to in Annexure II)

IRs/Paras pending of the proceeding five years

Sl.No.	Name of division	No.of IRs and paras prior to 1996-97		No.of IRs/Paras outstanding during the year											
				96-97		97-98		98-99		99-2000		2000-2001		TOTAL	
		IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras	IRs	Paras
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.

PROFORMA IX
(Referred to in Annexure II)
Non Production of Records.

Details of records which were not produced

The DDOs or others who did not produce the records

Efforts made by Audit Office to obtain records

Brief indication of the matters which could not be seen in audit due to non production of records

PROFORMA-X

(Referred to in Annexure II)

Schemes abandoned after incurring expenditure

a) Name of the scheme

b) Whether State/Central Scheme

Reference to Sanction order

Head of Account

Location

Period of construction/
operative of the scheme/project

Extent of Central assistance

Year-wise allotment and expenditure

Reasons for abandonment

Remarks

CHAPTER-11

NATIONAL HIGHWAYS AND STATE ROADS OF INTER-STATE AND ECONOMIC IMPORTANCE

11.1 National Highways

11.1.1 The construction and upkeep of the National Highways comes under the entry 23 of the union-list in the Seventh Schedule of the Constitution of India and therefore comes within the legislative competence of the Parliament. The funds for such works should be provided for in the Budget Estimates of the Central Government. However, the actual execution is carried out by the State Government on an agency basis and financial sanction is accorded by the Ministry of Road Transport and Highways (MORTH) to detailed Plans & Estimates.

11.1.2 Expenditure on National Highways and Urban link roads

Section 8 of National Highways Act, 1956 has been amended vide National Highways (Amendment) Act, 1997. Consequently parts of National Highways situated within the municipal areas forms part of National Highways network. Therefore the agreements entered into with the State Governments for providing central financial assistance for the development and maintenance of Urban links stand cancelled. State Governments were directed to take over the existing Urban links and treat the same as part of National Highways for future development and maintenance.

(MOST (Roads Wing) Lr.No.RW/NH-11015/1/97-DOI dated 23-6-97)

11.1.3 The liability of the Central Government in respect of **approach roads** from National Highways to Large Cities/Towns should be restricted to the portions lying outside the Municipal limits, the State Government or the local authority being responsible for the approach roads within those limits.

11.1.4 National Highway work should not be carried out through the agency of a local body, the Engineering Officers of which are not State Government servants and are not subject to the administrative and audit control of the State Government

11.1.5 Original Works

The Ministry of Surface Transport, Government of India have delegated powers to the State P.W.D to accord Technical approval and financial sanction to detailed plans and Estimates for National Highways (Original) Works costing up to and including Rs.10 lakhs subject to the conditions specified in the schedule referred to Rule 33(2) of the National Highways Rules 1957 (as amended in the Ministry's Notification No.SO-680-E, dated 15-10-1976 reproduced in **Annexure-I**).

11.1.6 Acceptance of Tenders

The State Government may themselves accept Tenders if the excess over sanctioned estimate does not go beyond the value determined on the basis of current Schedule of Rates subject to the following conditions and also complying with the technical requirements specified in paras 1(ii), 1(iii), 2 and 3 of the Government of India MOST letter No.NH III-33/108/72, dated 28-3-73, vide Annexure-II.

These powers are to be exercised by the State Government themselves who, if they so desire, may also delegate these powers to officers not below the rank of Chief Engineer under intimation to Government of India MOST. Tenders are called properly after due wide publicity providing for a healthy competition among the contractors and the rates are considered duly competitive, reasonable and justified, and after the Tenders have been accepted by the State Government revised estimate should be sent to the Government of India for their sanction within one month of the acceptance of the Tenders, this time limit being extended up to two months in unavoidable cases, but in any case not beyond that. A copy of the approved current Schedule of Rates should invariably accompany the revised estimates.

Where the tender cost is within the permissible limit of 5% excess over sanctioned estimated cost, the tenders shall be finalised by the competent authority before the expiry of validity date of tenders. In case it is beyond 5% of the sanctioned estimated cost the work should be got de-sanctioned and fresh estimate got sanctioned by MORTH (formerly MOST)

(MOST (Department of Road Transport and Highways Lr.No.RW/NH-11026/2/99-US(D.I) dated 13-1-2000)

11.1.7 Maintenance and Repairs

Detailed estimates are not ordinarily required for maintenance and repairs expenditure as formal Administrative approval and financial sanction for the maintenance and repairs during the financial year will be given by the Ministry of Surface Transport on demand estimates based on pre-war maintenance cost suitably weighted to allow for current increase in the prices of the labour and materials. Account will however, be taken of the general scale of maintenance approved by the State Government for its own roads, and the actual expenditure incurred on roads classed as National Highways in the past. The demand estimates from each Public Works Department Circle will be grouped as one estimate and technically approved as such.

Special repairs: The provision for special repairs made in the ordinary maintenance estimates should not ordinarily exceed ten percent of the provision for maintenance of the roads in that Circle as a whole. The entry in the estimates under this head should be sufficiently detailed to indicate the nature of the special repairs contemplated. If, however, additional allotments are required for special repairs necessitated by serious flood-damage or by other conditions not provided for under “special repairs” in the ordinary maintenance estimates on the basis of past experience, or if additional allotments are required for repairs to newly constructed roads or roads previously maintained at a lower standard than is now necessitated by traffic requirements, detailed estimates should be submitted for approval by the Government of India except for minor works costing Rs.10,000/- or less. In which case the demand need be accompanied only by a statement indicating the necessity or the works and the reasons why it could not be foreseen.

On receipt of Administrative approval and financial sanction which will be given for estimates Circle-wise the Superintending Engineer or Chief Engineer shall give technical sanction. And further action shall be taken as described in para 11.6 supra, (paragraph on “Original Works).

11.1.8 Powers of the Officers of the State P.W.D.

The Officers of the State PWD enjoy the same powers in respect of National Highways works as per the works of the State, except that reports concerning exercise of these powers should be submitted to the Government of India as well as to the State Government.

11.1.9 Classification of National Highways Works as ‘New Works’ or Repairs:

Under foot-note 26(4) of Appendix 2 to the C.P.W.A. Code, when existing portion of a road, road-bridge, etc., is to be replaced or re-modeled (whether or not the change involves any dismantlement) and the change represents genuine increase in the value of the property, the whole cost of replacement or re-modeling as the case may be should be classed as “New Works” and the cost or value of the portion replaced or remodeled should not be debited to ‘Repairs’. As “exception” to this rule, it has been provided that petty and miscellaneous items of works specified therein should be debited to “repairs” up to a monetary limit to be prescribed by the Local Administration, subject to a maximum of Rs.25,000/- in any one case provided that in the opinion of the Superintending Engineer the works in question do not form part of any comprehensive schemes or project covered by a works estimate. Under this rule, Government of India have fixed the monetary limit as Rs.25,000/-.

(G.I.MT.Lr.No.B-30(8)-49, dated 2nd June, 1949 and Para 12 under section I of Chapter I of CPWD Manual II (1972)

11.1.10 Form of Accounts

The accounts of the transaction relating to National Highways should be supported by the following schedules in respect of each P.W. Division.

Form 25 - Schedule Docket for percentage recoveries

Form 27 - Schedule of Works expenditure accompanied by schedule dockets and vouchers as provided in para 569 of APWA Code.

(c) Form 41 - Classified Abstract of expenditure prepared separately for items booked under

M.H.3054 Roads & Bridges and M.H.5054 - Capital outlay on Roads and Bridges.

The vouchers not required to be sent to Audit as per para 569 of APWA Code need not be enclosed to the schedule dockets. However, all transfer entries, irrespective of the amount involved, should be enclosed. Further, if the TEs affect both the National Highways and the State Road Works and the original TEs are enclosed to the schedule dockets relating to the State Roads Works, copies of such TEs may be enclosed to the schedule dockets relating to National Highways.

The expenditure on National Highways will be debited in the monthly accounts to „8658-Suspense Accounts-PAO“s Suspense-Item adjustable by PAO (NH)-Ministry of Surface and Transport”.

The AG(A&E) will claim reimbursement of the expenditure (net figures) from the Regional PAO (NH) Bangalore by forwarding the schedules and vouchers.

(CAG Lr.No.1015-AC/192-71, dated 18-5-79/WCA/13-5/I, P.106)

11.2 Audit of Expenditure

11.2.1 The audit of the accounts of the PAO(NH) will be conducted by the Principal Director of Audit, Economic and Service Ministries, New Delhi and this office will conduct local audit of National Highways work during local audit of the P.W. Divisions.

11.2.2 All the schedule dockets and schedules of works expenditure relating to expenditure on National Highways should be received along with Monthly Accounts in duplicate, the duplicate copy being prominently marked "duplicate" on top of them, the duplicate copies of the schedules so received will be sent by the AG(A&E) for central audit by this office along with the monthly account and schedule dockets and vouchers, the expenditure of which is debit to State funds. The certified duplicate copies should be kept along with the divisional accounts relating to each month and as and when the inspection of the division is taken up, these copies of the schedules should be made available to the Inspecting Officers for verifying the correctness of the duplicate with office copies of vouchers which will be relied upon for the purpose of local audit of the division. The selection of works for detailed analysis may also be made in the headquarters with aid of the duplicate schedule of works expenditure retained in the monthly accounts.

11.2.3 Local Audit

The selection of one month's account and one major or two minor works for detailed scrutiny during the inspection may be done in the headquarters with reference to the details available in their duplicate schedules. The accounts of the month selected, the schedule dockets etc., may be made available to the inspecting team.

11.2.4 Before the 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 duplicate copies of the schedule dockets and schedules of works expenditure retained along with the Monthly Accounts. Then the relevant transactions should be traced with reference to the initial records such as measurement books, the cash book, the counter foils of receipts and cheque books, bank pass book etc., with a view to verifying the correctness of the bills vis-a-vis the monthly account and the primary records.

11.2.5 On scrutiny, if any discrepancies are noticed between the office copies of the bills etc, in the division and the duplicate schedules available with inspection party, they should be got reconciled by the Divisional Officer. Any major or important discrepancies noticed may be intimated to the Principal Director of Audit, Economic and Service Ministries for arranging a scrutiny of the original vouchers available with the regional PAO (NH), Bangalore.

(Lr.No.132-TA II/222-76, dt.22-1-78, from CAG of India/P.140/15-227/I)

11.2.6 The inspection report relating to the National Highways Works should be prepared separately and one copy sent simultaneously to the Principal Director of Audit, Economic and Service Ministries to enable him to co-ordinate the follow up work with the PAO (NH) and another copy to the PAO(NH). The points taken up in the Inspection Reports should be pursued by the Audit Section with the CEs and the State Government, and since full facts of the cases would be available with the State

Government/Department. The factual statements and draft paras should also be attempted by this office. Important paragraphs which may be considered for inclusion in the Audit Report should also be brought to the notice of the Ministry under intimation to Principal Director of Audit Economic and Service Ministries, New Delhi.

(Lr.No.2425-TAII/2-78/II, dt.29-11-79 from CAG of India, 15-227/P.94/II)

11.2.7 The Ministry of Surface & Transport also has set up office of Engineer liasion officers. The Principal Director of Audit, Economic and Service Ministries has desired that before marking selection of works for detailed analysis, the progress and Inspection Reports as well as any other connected record available with Engineer Liason officer also may be consulted. The office of the Liason Officer is located in the office of the CE(R&B), Errumanzil, Hyderabad.

(Lr.No.WMI/7-58/77-78/456, dt.7-2-78 from the AG,CWM15-277/I/P.162)

11.2.8 Fees from National Highways and expenditure incurred on collection of fees

Government of India have framed rules for the levy of fees for services rendered relating to the use of permanent bridges costing more than Rs.25 lakhs each completed and opened to traffic after 1-4-76 on National Highways. The particulars of vehicles and fee collectable are indicated in the Annexure. The gross collection of fees from the users of mechanical vehicles for use of permanent bridges on National Highways shall be finally accounted for in the books of PAO/NH.

11.2.9 The actual expenditure incurred by the State Government on collection of fees, but not exceeding 12% of the total (gross) collection of fees, shall be reimbursable by the Government of India after issuing specific sanction for expenditure. The divisions executing National Highways works should classify this expenditure correctly and distinctly in their initial accounts without mixing up with the expenditure in construction/maintenance of National Highways under the normal plan provisions. Reimbursement of this expenditure will be done in the same manner as is effected in the case of expenditure incurred on construction and maintenance of National Highways on agency basis.

11.2.10 Agency Charges

As the National Highways work is done on an agency basis, agency charges will be paid at 9% of the expenditure by the Central Government to the State Government for establishment and tools and plant charges. This will be included in the expenditure every month for reimbursement. In the State Accounts, the receipt will be credited to "1054-Roads & Bridges-Other Receipts-Receipts on account of National Highways".

11.3 State Roads of Inter-State or economic importance

11.3.1 The construction and development of State Roads of Economic or Inter-state Importance come under item 13 of the State List in the Seventh Schedule to the Constitution of India and therefore, come within the legislative competence of the State Legislature. The expenditure on such roads should therefore, be included in the State Budget and subjected to the control and scrutiny of the State Legislature and State Public Accounts Committee. The assistance by Government of India is in the form

of loan (wholly or partly) and it shall not affect the procedure of providing for these works in the State Budget.

11.4 Centrally Sponsored Schemes

11.4.1 The Centrally sponsored Schemes, included in the draft 6th Plan have been divided into the following categories in so far as roads and bridges under the programme of State Roads of Inter-State or Economic Importance are concerned with effect from 1-4-79.

Inter-state Road/Bridge Scheme: These schemes, will continue to be Centrally Sponsored Schemes and for such schemes funding by the Central Government for individual works will continue to be 100% loan assistance up to the cost approved for assistance by Central Government as before.

Road/Bridges of economic importance: These schemes will also continue to be centrally sponsored schemes but in respect of these schemes financing will be on a sharing basis between the Centre and State on 50:50 basis up to the cost approved by Central Government and the amount in excess of Central share shall be borne by the State Government from their own resources wholly. Further conditions are....

no agency charges will be payable by the Central Government.

future maintenance and upkeep of the project after completion will be the responsibility of the State Government. (Ministry Lr.No.Rev/PL-10(4)/80/22-1-80/11-18/77-78/II of WCA)

If the cost of works exceeds Rs.1 crore, the detailed estimate for the work requires the prior technical approval and financial sanction of the Ministry of Surface Transport (Roads wing). Works costing less than Rs.1 Crore are within the competence of the State Government. No payment for the work costing more than Rs.1 crore will be possible, unless the technical approval and financial sanction are accorded by the Government of India.

(Lr.No.8.30(12)/179/11-10-79 from the Ministry of Shipping and Transport 11/18/77-78/11 WCA)

11.5 In preparation of estimates relating to National Highways, the rates mentioned in MOST standard data book (S.D.B) are to be adopted.

11.5.1 Some of the guidelines in this regard are given below:-

The SEs and EEs dealing with National Highways were instructed to follow the old data only for all the periodical renewal works. The new data as per MOST (S.D.B) is to be adopted in respect of Plan Works, Major Works including miscellaneous works to be sanctioned under Plan Works.

11.5.2 Data for Bitumen items

As per MOST's modified specification in 3rd revision, the tack coat is to be provided as a separate item as per Section 503.

The rate of application of tack coat as laid down in Table 500-2 under Section 503.3.2 is appended below-

	Type of Surface	Qty of liquid bituminous material in Kg/10 Sqm. area

I	Normal bituminous surfaces	2.0 to 2.5
II	Dry and hungry bituminous surfaces	2.5 to 3.0
III	Granular surfaces treated with primes	2.5 to 3.0
IV	Non-bituminous surfaces	
	a) Granular base (not primed)	3.5 to 4.0
	b) Cement concrete pavement	3.0 to 3.5

NOTE: - There is no need to apply a tack coat on a freshly laid bituminous course if the subsequent bituminous course is over laid the same day without opening it to traffic.

(Authority: E-in-C (R&B) Roads Circular Memo No.6432/TA2/AEE-1/96 dated 2-4-98)

Due to incorrect application of quantity of liquid bituminous material by the R&B Roads departments, cases of excess payments were noticed by the P.W. Field Parties. Hence, it should be ensured that the data for bituminous items is carefully checked while conducting local inspection of R&B (Roads) divisions/circles.

11.5.3 The basic rates of materials and labour charges available from the state SSRs of relevant circles shall continue to be used in the estimates along with the seignorage charges, extra percentages for Agency/Tribal areas, Industrial Area etc., excepting the allowance of 13% for labour, importation and labour amenities.

11.5.4 In lieu of the 13% towards LA & LI the overhead charges at 5% on labour cost, as provided in the S.D.B are to be adopted as specified in the S.D.B. All the percentages provided in the S.D.B. such as contractor's profit, overhead charges, sundries etc are to be adopted in toto.

11.5.5 Hire charges of 8 to 10 Tone Road Roller are to be provided at state R&B charges i.e., at Rs.962 per 8 hours or Rs.120.24 per hour as per the revised rates approved in E-in-C (R&B), NH Proc No.30765/T&P/TAS/AEE3/94 dated 18-2-95.

11.5.6 NATIONAL HIGHWAYS AUTHORITY OF INDIA

The National Highways Authority of India was constituted by an act of Parliament, the National Highways Authority of India Act, 1988. It is responsible for the development, maintenance and management of National Highways entrusted to it and for matters connected or incidental thereto. The Authority was operationalised in February, 1995 with the appointment of a full time Chairman and other members. National Highways is mandated to implementing National Highways Development Projects, Port connectivity and other projects which is India's Largest ever highways project.

World class roads with uninterrupted traffic flow

Four/Six Laning of around 14000 Km

Total Cost Rs. 58,000 crs.

In addition to implementation of National Highways Development Projects, the NHAI is also responsible for implementing projects on national highways which are not part of NHDP, the length of national highways around one thousand.

ANNEXURE -I

Delegation of powers to State PWD

(referred to in para 11.1.5)

Conditions for the issue of technical approval and financial sanction to plans and estimates for execution of any original work on a national highway costing an amount not exceeding Rs.10 lakhs by the executing agency concerned.

The executive agency shall forward, to the Central Government for approval, rough cost estimates along with detailed information in respect of the particulars given below according to the tentative details given in the annual plan works programme for the year:-

Proposal in brief with a rough plan of the area in which the work is to be executed.

Extent of preliminary survey and investigation done.

Broad features showing the existing position and the improvements desired.

Traffic data

Duration of execution.

Phasing of expenditure and also physical performance.

g) Rough quantities and estimated cost under broad heading such as, Roads Works, Bridge Works, land acquisition, earth foundations, superstructures, work, road metal, guide bunds etc.,

Detailed specifications.

List of equipments required for speedy execution of work.

Alignment plan and longitudinal section in case of roads, hydraulic data and outline designs of structure in case of bridges.

Particulars for comparison of similar works carried out in the same region.

Special features if any.

a) Permissible job sites shall be regulated according to discretion given in the annual plan works programme mentioned under conditions (1) and the work shall not be split up.

In the case of items having lump-sum provisions (such as improvement of geometrics, stabilising slipping breaches raising roads in submersible sections) each specific location supported by requisite details shall be treated individually.

Technical approval and financial sanction shall be accorded only in respect of such items of works or for which specific provisions has been made in the budget during the year for the individual work on the basis of the approval given under condition (1).

While sanctioning detailed estimates, the executive agency shall ensure that the rough cost estimate for the work appearing in the budget estimates accepted by the Central Government for presentation to Parliament is not exceeded by more than 15%, or the total cost of detailed estimate to be sanctioned by that agency in no case exceeds Rs.10 lakhs, whichever is less.

Abstracts of cost of sanctioned detailed estimates in all cases shall be submitted by the executive agency in respect of the works sanctioned by that agency and in case of bridges, estimates, in addition, a general outline drawing shall also be submitted. Abstract of cost of sanctioned detailed estimates shall give justification for excess, if any, referred to under condition (4).

Progress reports in respect of all works sanctioned by the executive agency shall be submitted to the Central Government in such form and at such periodicity as may be required by the Central Government from time-to-time.

Technical approval and financial sanction to plans and estimates for execution of any original works on a National Highway shall be accorded by the executing agency only after approval of an officer of the rank of Chief Engineer, or Additional Chief Engineer or Principle Engineer in-charge of National Highway works has been obtained.

In case the executive agency considers it necessary to accord technical approval and financial sanction after the approval of officers of the rank of Superintending Engineers possessing requisite technical, administrative and financial powers, the prior approval of the Central Government shall be obtained but in all such cases they shall have to consult the Regional Officer concerned of the Ministry of Central Government dealing with the National Highways.

In the case of Projects, concerning by-passes, realignment and improvement of geometrics as also designs, for bridges of length up to 100 meters and of individual spans not exceeding 30 meters even where cost may be within Rs.10 lakhs, no work shall be sanctioned by the executive agency without prior approval of the Regional Officer concerned of the Ministry in the Central Government dealing with National Highways.

In the matters relating to technical approval and financial sanctions the following procedure shall be followed namely.....

In the case of the works where standards and designs adopted in the estimates are in accordance with the Indian Roads Congress Code and specifications and any other relevant instructions, guidelines, standard bridge designs etc., issued by the Central Government from time to time. Copies of sanctions accorded by the executive agency shall invariably be endorsed to the Regional Officers concerned of the Ministry in the Central Government dealing with National Highways along with complete copy of the estimate, so that even after sanction they could examine the matter and bring to the notice of the executive agency, of deviation, from such code specifications instructions, guidelines, standard bridge designs, if any.

Where for any work, deviations from approved standards, specifications, instructions, guidelines issued by the Central Government have to be made due to local conditions, no work shall be sanctioned by any executive agency unless complete copy of estimate is furnished to the Regional Officer concerned of the Ministry in the Central Government dealing with National Highways and his approval has been obtained in accordance with the general instructions issued by them from time-to-time governing the disposal of such cases. A brief mention of these deviations shall also be made by the executive agency in the

abstract estimate to be sent to the Central Government quoting the reference of approval of the Regional Officer concerned.

In all other cases where proposed deviations do not fit in with the general instructions issued by the Central Government or are not necessitated due to local conditions, technical and financial sanction, the rate may be accorded by the executive agency with the prior approval of the Central Government on a reference being made on behalf, along with a copy of the detailed estimate through the Regional Officer of the Ministry of the Central Government dealing with the National Highways who shall forward the same to the Central Government with his comments thereon.

After the budget estimates have been accepted by the Central Government the funds likely to be available for the work shall be intimated to the executive agency concerned. Work-wise allotment of funds shall be made by the Central Government and the same shall also be communicated to the executive agency concerned for further necessary action as soon as the budget is passed by the Parliament. Sanction for entering into financial commitments may be accorded by the executive agency only after the budget is passed by the Parliament and the same is intimated to the executive agency. All other actions including technical sanction to the projects calling and receipt of tenders, negotiations for their settlement etc., may however, be taken by the executive agency as soon as the acceptance of the budget estimate by the Central Government has been intimated to it.

ANNEXURE - II

Tenders for road and bridge works financed entirely by the Central Govt. funds.

(Referred to in para 11.1.6)

Tenders for above works can be finalized by the State Govt concerned only after the requisite technical approval and financial sanction have been accorded by Govt. of India.

In case the revised cost of work based on an acceptable tender exceeds or is likely to exceed its original sanctioned estimated cost beyond permissible limit (in which, according to the latest instructions contained in this Ministry's Circular Lr.No. NH 40 (10)/70, dated 20-7-1971 is 10% or Rs. 2.5 lakhs, whichever is less) prior approval of Govt. of India should be sought and obtained before the acceptance of such tenders. While making a reference to the Govt of India in such cases it should be accompanied by all the tender documents including alternative designs received with any of the tenders and while doing so, for tenders involving material deviation from approved designs and or specifications, for the work, the reference to the Govt of India should also be accompanied by plans and designs with relevant details and conditions stipulated, if any, along with detailed comments thereon by the State Govt./Chief Engineers.

If the amount of an acceptable tender for a work is such that the revised cost of the work based on that tender remains within the sanctioned amount plus the permissible excess (as mentioned in para (1) above) and if there is no material deviation in design and /or specification for the work from those technically approved, the State Govt. may dispose of such tenders without any reference to the Govt of India.

However, in such cases where there are any material deviations in design and/or specification from those technically approved earlier by Govt. of India, a reference should be made by the State Govt, for obtaining the prior technical approval of the Govt. of India to the deviations involved, before acceptance of such a tender. Such a reference to Govt. of India should be accompanied by plans, designs and relevant details of the acceptable tender and a certificate from the State Chief Engineer/State Govt. to the effect that the acceptance of the deviation and/or revised design of the tender under consideration for acceptance will not entail any excess over the sanctioned cost plus the permissible excess, in view of any conditions included in the tender which should be carefully examined by the Chief Engineer/Government. There is no need to forward the other general conditions of the tender to G.O.I. It has now been decided that while making a reference to G.O.I. in accordance with sub paras (ii) and (iii) of para 1 above, it is not necessary to forward to the Govt of India, the tender papers received by the State Govt. in original but it should be quite sufficient if certified copies of all these tender papers received are forwarded to the Govt of India. Besides those, a comparative statement giving the assessment of the various tenders received for the work together with the firm recommendation by the

State Government for the award of work may also be forwarded invariably along with all such tender cases.

It is also reiterated that while making a reference to the Govt. of India regarding approval for acceptance of tenders in the aforementioned cases the position that may have resulted from previous tender calls, if any, along with comparative statements, the State Govt. assessment and action if any, taken by the State Govt./State Chief Engineer with reasons therefor should also be invariably intimated.

The permissible excess of 10% or Rs.2.5 lakhs mentioned in para 1 (ii) above, is limited to cases as defined in circular Lr.No. NH 40(10)/70 dated 20/7/1971.

Immediately after obtaining the approval of the Govt. of India for cases mentioned in para 1 (ii) above, a revised estimate should be prepared based on the accepted tender and forwarded to the Govt. of India in the prescribed form for obtaining revised financial sanction for the work.

ANNEXURE - III

(Referred to in para 11.2.8)

Fee chargeable in respect of Mechanical vehicles using permanent bridges, costing more than Rs.25 lakhs on National Highways completed, or to be completed and opened to traffic on or after 22-6-97 in regard to vehicles other than Defence vehicles, vehicles with VIP symbols, Police vehicles, Fire fighting vehicles, Ambulances, funeral vans, Posts and Telegraph Departmental Vehicles and Central and State Government vehicles on duty.

The toll fee chargeable in respect of all mechanical vehicles at the toll gate point shall be in accordance with the guidelines issued by MOST/GOI vide letter No.24035/23/94-PP-Vol.III, New Delhi, dated 22-06-97 and the toll fee shall be collected from different types of vehicles as indicated below:

Sl.No.	Type of vehicles	Toll fee to be collected from each vehicle
1.	Motor cycle, Scooter or nay other two wheeled mechanically propelled vehicles.	Nil
2.	Motor Car, Taxi, Jeep, Pick-up Vans, Stations Wagons, Tempo, Auto Rickshaw, Three Wheelers, Scooter or other Auto Driven light vehicles (without Trailer)	Rs.5.00 (Rupees Five only)
	Motor Car, Tax, Jeep, Pick-up Vans, Station (Rupees Five only) Wagons, Tempo, Auto Rickshaw	Rs. 5.00 Three Wheelers
	Scooter or other Auto driven light vehicles (With Trailer) Bus Truck and other Heavy vehicles including truck trailer combination (Laden)	Rs. 15.00 (Rupees Fifteen only)
5.	Bus Truck and other Heavy vehicles including truck trailer combination (Unladen)	Rs. 15.00 (Rupees Fifteen only)
6.	Other mechanically propelled vehicles (Not mentioned here like mobile cranes, Dozers, Earth movers, Road Rollers, etc., whether loaded or unloaded)	Rs. 20.00 (Rupees Twenty only)

Notes: 1. When the same vehicle has to cross the bridges more than once in a day, the user shall have the option to pay one and half times the above rates while crossing the bridges in the first trip itself.

2. The following vehicles shall be deemed to be vehicles having VIP symbols:-

President and vice-president of India, Central and State Ministers, leaders of opposition in Lok Sabha/Rajya Sabha/State Legislature having the status of a Cabinet Minister, Governors/Lt.Governors/Executive Councilors/Speakers/ Chairman of Central and State Legislatures, foreign dignitaries on State Visit to India Foreign Diplomats stationed in India using car with CD symbols.

CHAPTER - 12
MISCELLANEOUS

12.1 Review of financial results of Irrigation Works

12.1.1 A para on financial results of irrigation works should be included in Chapter IV of Audit Report. This paragraph should contain information regarding Capital Outlay, receipts, working expenses, interest on capital and final loss/surplus together with its percentage to capital outlay, projected profits, analysis of reasons for losses etc.,. It is also necessary to indicate project-wise data regarding (1) area to be irrigated vis-a-vis actual area irrigated, (2) quantum of water released with decline if any, over previous year(s), (3) losses/profits vis-a-vis profits envisaged, (4) analysis of reasons for short fall/losses or for less than projected gains, (5) steps, if any, being taken (or not being taken) to reverse the trend and factors leading to arrears in collection of water rates and betterment contribution. Arrears may have gone up partly due to suspension of realization because of various factors like unusual drought, floods, cyclonic conditions etc. These factors have to be kept in view while bringing out lapses in raising demands and in realization.

(CAG's General Circular No.7, communicated through Lr.No.919-Rep/80-82, dated 17/21-6-1982 incorporated as para 5.56 of Manual of the Report Department)

12.1.2 Certification of Expenditure in regard to Plan Schemes etc: Advance releases are made of Central Assistance for plan schemes by Government of India based on the claims put forward by the State government, subject to final adjustment on the basis of actual expenditure in due course. The final claims are to be preferred by the State government on the basis of audited figures of expenditure (para 3.16.17 of the M.S.O (Audit)). While in the case of Central schemes the entire expenditure is borne by GOI, the expenditure on centrally sponsored schemes is shared between GOI and the State Government in accordance with the pattern specified in the sanctions relating to the schemes. For state plan schemes, the assistance given is in the form of Block grants and loans. After the Finance Accounts and Appropriation Accounts for the year are finalized, the Accountant General (A&E) is required to furnish to the Audit Office a statement of Plan expenditure in the following form for audit and certification without waiting indefinitely for reconciliation of expenditure by the departments of Government.

Sector No.	Name of sector Head of department	Code	Name of scheme	Head of account	Expenditure
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1.	2.	3.	4.	5.	6.
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(Para 17.3 of the M.S.O (A&E) and CAG's Lr.No.606-AC.I/1-91.I dated 6-8-1991)

12.1.3 ES-I COORDINATION should obtain by 30th September of each year the statement of plan expenditure (referred to above) from the AG(A&E) office together with the amounts kept under objection (scheme wise) by that office and furnish the expenditure figures in respect of identifiable schemes to the IR Sections concerned for audit and certification. In cases where the total plan expenditure under a minor head is furnished by the AG(A&E) supported by scheme-wise details to the extent available, ES-I COORDINATION will designate one IR section for audit and certification of the total plan expenditure under that minor head.

12.1.4 (i) IAU Sections should audit the statements received from the A&E office and furnish certified copies of the statements (in triplicate), indicating therein the amounts kept under objection by both the A&E and Audit Offices, to ES-I COORDINATION section which will forward the same to the Ministry of Finance/the Ministries concerned and also to the State Government. While certifying the expenditure, IR Sections should bear in mind the instructions contained in paragraphs 3.16.18, 3.16.19 and 3.16.20 of M.S.O. (Audit).

12.1.4 (ii) Quarterly Progress Reports on certification of expenditure relating to Central Plan/Centrally Sponsored Schemes are due to Headquarters office by first week of April, July, October and January for the quarters ending previous months respectively. ES-I COORDINATION should, therefore, furnish quarterly progress reports to EAP Cell to enable the latter to forward the Quarterly returns to the Headquarters on the due dates.

(Authority: Hqrs. Office circular Ir.No. 52-Audit/Aud Plg/86-94 dated 1-2-96).

12.1.5 Completion Report: If the total expenditure on any particular work is in excess of the sanctioned estimate and the excess is beyond the competency of the Divisional Officer to pass, a completion report in form PWA-XXXIII is required to be prepared and got approved by the higher authorities. Completion report is received in audit, from AG(A&E) for exercising the audit checks as per Annexure 2.4.1 to para 2.4 of MICA.

12.1.6 Financial stock-taking of large projects: Government have ordered that the Chief Engineer of the Projects should investigate the financial position of the projects and furnish a report on the financial stock-taking to audit in the first week of June every year correlating the progress of expenditure with the progress of work, as compared with the

estimates. These returns should be compiled in accordance with the revised budget classification and forwarded to audit after scrutiny by the respective Directors of Accounts. The form in which these returns are required to be rendered is reproduced in Annexure I to this chapter. On receipt, they should be scrutinised to see the prospects of the project being completed within the limits of the latest sanctioned estimates, after ascertaining from the department the amount of expenditure required to complete the residual work., Probability of large excess over the sanctioned estimates and the fact whether a project meant to be a productive one is likely to prove unproductive should be prominently brought to notice of the Government. In reviewing the financial position of productive projects the revenue aspect of the cases should also be examined.

12.1.7 Annual Certificate of Balances

The Divisional Officers are required under para 573 of APWA Code, and Article 235 of Account Code, Vol.III to submit a consolidated certificate in respect of balances relating to the general suspense heads and also the suspense heads pertaining the works accounts, viz., contractors other transaction, materials, etc. This certificate known as Annual Certificate of Balances is submitted in form-PWA-46 within six weeks of the submission of the monthly account for March. The Divisional Officer should be reminded in time for prompt submission of this return. The annual certificate of balances, should on receipt be examined in Audit in accordance with the instructions contained in para 4.3.28 of MSO (Audit).

The certificates 1 to 6 of the certificate of balances should be reconciled with the respective schedules received in central audit and any points indicative of deviation from any financial rule, taken up with the Divisional Officer concerned. To the extent the certificates are based on initial records, the correctness should be broadly verified during local audit.

The audit of the schedule of debits to stock and the stock account for the month of March should not be considered as completed until certificate No.1 relating to manufacture, land kilns etc., and other sub-heads of stock has been checked. Cases in which sanctioned limit of reserve stock appears to be unusually high or in excess of the normal requirements of the Divisions concerned should be brought to the notice of the Senior Deputy Accountant General (ES – I) for such action as he may consider necessary.

Certificate No.2 relating to workshop suspense and certificate No.3 relating to Other
Suspense

Accounts viz., Purchases, Miscellaneous Works Advances and Deposits are necessary for completing the year's audit of transactions relating to these heads. These certificates should

be reconciled with the relevant schedules and their correctness verified in Central/Local audit.

Audit of Works Accounts of March should not be considered as completed until certificate no.4 relating to works accounts has been examined in local audit to see (i) that they are complete in all respects, (ii) that the closing balance of the accounts for “contractors” under each of the three heads into which these accounts are divided (Viz., “Advanced Payments” “Secured Advances” and “Other Transactions”) agrees with the total of the balances as per contractor’s ledger which is scrutinized during local audit, iii) that the certificate does not indicate any deviation from the rules. Large fluctuations in the balances should be subjected to special enquiry, and iv) Certificate No.6 relating to Cash Settlement Suspense should be reconciled with the broad sheet maintained by the Office of the A.G (A&E), (in central audit). Large balances under this head should be enquired into. (Para 4-3-28 of MSO [Audit])

12.2 Annual Review of the working of PWD Divisions

12.2.1 An annual review of the working of the various PW Divisions should be conducted in order to focus the attention of the Government on important irregularities and arrears so that Government can take suitable measures for the improvement of the work in the divisions. The review also serves the purpose of giving bird’s eye view of the state of work in PW Divisions and constitutes the basis for preparation of an omnibus para for inclusion in the Report of the Comptroller and Auditor General of India. The AG (A&E) should submit the Review to the Government in such form and detail as may be settled mutually. For audit portion necessary materials should be supplied by this office to the AG(A&E) Office for incorporation in the Review. (Para 4-4-21 of MSO [Audit])

12.2.2 *Gratuity cases of work-charged establishment:*

In the case of non-provincialised work-charged establishment, the gratuity or the retrenchment-compensation payable to them should be debited to the estimates of the works concerned by the Division and classified in respect of Roads and Buildings Department, under the following sub-heads. “Major Head-2059, Public Works -3054 Roads and Bridges Maintenance and Repairs”. (G.O.Ms.No.1044, PW (MI) Dt.2-8-71, File PV-I/9-4/63-66)

12.2.3 The vouchers when received with the monthly accounts should be audited like any other case of gratuity, the rules for which are available in the Manual of Pension Audit Department.

12.2.4 As per G.O.Ms.No.130. I&P, dated 18-3-81, all work-charged employees who have completed 10 years of total service will be regarded as Government servants with effect from

29-3-79 or from such subsequent date as and when they complete 10 years of total service. They are required to retire at the age of 58 years if superior service and 60 years if inferior service (A/15-20/X).

12.2.5 The designation of work charged employees who were treated as Government servants was changed as follows: on maintenance side as 'Maintenance Establishment' on Project side as "Project Establishment", other establishment as Works Establishment".

12.2.6 Those who did not opt to become Government servants and those who did not complete 10 years of service, will continue to be called work-charged establishment.

(G.O.Ms.No.352, I&P, dt.7-8-81, P.296/15-20)

12.3 Railway Safety Works

12.3.1 In accordance with the recommendation of the Report of the Railway Convention Committee, 1965, the Railways agreed to bear a portion of the expenditure on Railway Safety Works such as manned level crossings, over-bridges and under-bridges.

12.3.2 The apportionment of the cost of the works between the State Government and the Railway Administration is determined in accordance with the following rules.

12.3.3 The apportionment of the cost of the replacement of busy level-crossings originally provided at the Railway's cost by road/under bridge shall be as under:-

The Railways shall bear 50% of the total cost of the over-bridge/under bridge including approaches. The total cost referred to above shall include the cost of diversion of road, sewage, cables, gas and water mains etc., but shall exclude the cost of acquisition of any land and structures thereon, required for approaches or diversions.

The Road Authority shall bear 50% of the total cost of over-bridge/under bridge including approaches, etc., as referred to above and the cost of acquisition of any land required for approaches and diversions and structures thereon.

The bridge shall generally be of 24' width equal to two lanes of road traffic. In areas within or close to cities and towns two foot-paths (each 6ft wide) shall also be provided if required by the road authority.

If provision is required to be made in the bridge structure for crossing additional railway tracks the cost of such extra length of the bridge structure should be borne by the Railways in addition to its share of the cost for the rest of the bridge and approaches.

If additional width of roadway is required by the Road Authority over and above the limits of the widths specified in para (ii) (c) above, the cost of this additional width shall be borne

fully by the Road Authority for the length of the bridge required to span the existing tracks; equally by the road and railway authorities, for any extra length provided for crossing additional railway tracks in future. The railways shall be responsible for the construction of the over/under-bridge proper and the Road Authority for the construction of the approaches. On the actual completion of the work, a completion certificate for the work (excluding cost of land and structure thereon) giving the total cost of the work carried out by the Railway and by Road Authority separately should be signed by the representatives of the State Government/Road Authority and the Railway. 50% of the expenditure incurred every year by any party shall be reimbursed by the other party. With a view to ensuring that the amount does not remain under suspense in the books of the party responsible for the execution of the work, arrangement should be made with the state Governments for the immediate adjustment in the same year's accounts through the transfer transactions of any amount spent by either party in excess of its share of the cost of the bridge.(Lr.No.68/W I/BRO/25, dated 21-1-69 from the Ministry of Railways for all General Managers of the Railways WM.I File 15-48/Vol.VII)

12.3.4 It has been further clarified that:-

The Railway would prepare the estimate for the bridge portion and the road authorities for the approaches etc., that each would undertake. In the estimate prepared by the Railway administration that freight charges etc., should be included as for "Deposit Works".

Levy of Departmental charges, however, need not be made excepting on that portion of the bridge work which is exclusively required to meet the needs of the road traffic such as extra width of the bridge. For this purpose, it may be mutually agreed upon specifically before preparing estimates that the departmental charges will not be added in the estimates for such work for that portion of the work which is to be shared equally between the railway and road authority.

Since, in principle the question of apportionment of 50% of the cost to each party is already agreed upon, it would be necessary to keep the accounts of the work current and efficient as at the end of each year. To this end, annual adjustments of the costs incurred by either Railway Administration, or the State/Road Authority should be completed before the accounts for the year are closed i.e., 50% of the cost incurred during the year on the work done by either party, would be debited to the other at the end of each financial year. This is subject to the credit available for each State and to the provision existing in the annual budget of the Central Government for such reimbursement.

(Lr.No.68/WI/BPO/25, dt.18-3-71, from the Ministry of Railway (Railway Board)/WAA/D/11-3/Stock/P.28)

12.4 Instruction to be observed when a Division is amalgamated with another Division and when a new Division is formed by separation from an old one.

12.4.1 Instructions to be observed in transferring the record of transactions from the books of a Division which is to be closed to those of the Division with which it is to be amalgamated:-

Cash: The Sub-Divisional and the Divisional Accounts including imprests should be closed on the date fixed for the abolition and the unspent cash balances, if any, should be paid into the Treasury on that date to the credit of P.W. Department by the closing division. The unspent balance of salary and T.A of Establishments should however, be made over to the Executive Engineer of the Division with which the accounts are to be amalgamated and the acknowledgement of the money thus handed-over should be sent to the AG(A&E).

(Para 16-19, of Works Accounts Manual)

All expenditure incurred on unfinished works should be included in the progressive figures of works accounts by the amalgamated division as if it was incurred in that Division in the first instance. No transfer of expenditure need be made through the schedule of CSS Accounts. Similarly all arrears due to the contractors, piece workers, labourers of work-charged establishment shall be brought to the several schedules of the amalgamated division and cleared in the ordinary course as if they had originated in that division.

Grants: The unspent balances of the grants at the disposal of the closing division shall be transferred by formal reapportionment to the amalgamated division by the Superintending Engineer.

Drawing Accounts: The drawing accounts with the Treasury of the Sub-divisional and divisional officers should be closed and the unused cheque and Receipt Book transferred to the amalgamated division under intimation to the Treasury Officers with whom they are in accounts.

Advices of Debits or credits: In the event of any transfers advised by other divisions not being acknowledged in the account of the closing division, the amalgamated division should accept and adjust them as if the advice were sent to itself.

Interest bearing securities: The interest bearing securities viz., the postal savings, pass books etc., should be made over and pledged to the Executive Engineer of amalgamated division to which the work or the sub-ordinates concerned are transferred. The original security register should be sent to the amalgamated division.

Miscellaneous: Notes of liabilities not yet brought to account, quantity account of road metal, material accounts and establishments' records i.e., service books, personal files, etc., should receive special attention and be handed over in complete shape to the amalgamated division.

12.4.2 Instructions to be observed on the formation of new divisions by separation from an old one are as appearing in para 12.4.1 above with the change (i) that „new division and „old division“ may be substituted for „amalgamated division“ and „closing division“ respectively, wherever they occur, and (ii) that the adjustment and transfers referred to therein are to be made for the balances and works, the adjustment or execution of which must be taken up by the new division.

12.5 Miscellaneous Rulings and Orders

12.5.1 Sending original vouchers/documents out of office:

As the subject pertains to Accountant General (A&E), the detailed procedure for sending original vouchers/documents out of office is laid down in Para 16.21 of Works Accounts Manual which may be referred.

(Authority: Circular No.7-TA I/84 No.224 TA I/199-83 dated 17-2-84 of C&AG of India)

Note: The procedure for sending vouchers required by the Police for purpose of investigation is contained in the Manual of General Procedure and TAD Manual Vol.I.

12.5.2 Appeals against Audit Decisions: The Comptroller and Auditor General of India has decided that an appeal against a ruling given by an Audit Officer should be addressed to him through the Government concerned.(CAG's letter No.1675-Admn/577-27, dt.6-11-1927)

12.5.3 Works Expenditure: Reduction of Public Works staff should be suggested when the proportion of the cost of works to establishment varies with reference to the proportion in adjacent districts having the same facilities for execution of works and when the percentage for the whole State is considerably in excess of the prescribed percentage for works of the PWD.

12.5.4 Revenue and Receipts: Contributions recovered for services rendered should be scrutinised. Where the cost of the services has risen since the contribution was fixed, an increase in the amount of contribution may be suggested to the Department.

(CAG's Lr No.T/168-Admn/345-29, dt.24-8-1929)

12.5.5 Register of items of arrears in the Division: Every Audit section should maintain a register of items of arrears that have come to notice of Central Audit through Inspection Reports, in the course of Central Audit. For the monthly review of these registers to be

conducted by ES-I COORDINATION on 15th of every month and a consolidated review report submitted to the Senior Deputy Accountant General (W&P) on the 20th of each month. (WMI/O.O.No.153, dt.3-10-1959)

12.5.6 Admissibility of Sales Tax on full value of materials, even though only part-payments are made to the suppliers: It is clarified by the Board of Revenue that Sales Tax is leviable on the sale price of goods sold, irrespective of the fact, whether the seller has received from the buyer the full price or not. (Lr.No.L Dis 1657/59, dt.19-3-1959 from the Board of Revenue to the Chief Engineer (Electricity) copy received with the letter No.OCA/SAO/A3/583,, dated 5-6-1969-File W, 12-Case 9-84/1954-60).

12.5.7 Work-charged establishment treated as not regular establishment: Government of Andhra Pradesh decided that Article 53 of APFC Vol-I shall not apply to the claims pertaining to work-charged establishment, as this establishment is not a „regular establishment“ and that it is not necessary to insert a suitable note under Art.53 of APFC Vol.I. The arrear claims of work-charged establishment are however, to be sanctioned by Government.

(Lr.No.WIX/Andhra/SKL/704, dt.31-3-1958 of AG, AP addressed to Government of A.P (PWD) and the latter“s reply in No.58387/M-I/58-12, dated 9-5-1959-File WMI case 15-60/59-60)

12.5.8 *Procedure for accounting of credit for savings in remission in the revenue forecasts of Irrigation Projects*: The following procedure should be observed when savings in remission are taken into account in the revenue forecasts of irrigation projects;

Where a project is designed to assure an absolutely unfailling supply to tract hither to dependent on seasonal fluctuations, credit or savings in remission may be taken on the basis of the average remissions granted over a period of 20 years.

Where a flood moderating project is designed to prevent any damage to crops due to excess of water, the seasonal remissions for which figures are separately exhibited in village account No.5, credit for savings in remission on this account may be taken on the basis of the average remissions granted over a period of 20 years.

In all other cases, i.e., where an element of uncertainty exists as to accuracy of estimated savings, such savings should not be taken credit for.

(G.O.Ms.No.1583-Press Dt.24-7-1934, Public Works and Labour Department)

12.5.9 *Allowance towards shrinkage*: Though APSS does not specify the percentage

To be adopted for voids and thus the standard data given there in does not exclude the quantum for voids, the provision is made in the contracts providing deduction towards voids,

shrinkage or an shrinkage in stacks or deposit on banks. The following points should be borne in mind in this regard:

Measurement for supply and/or carriage shall ordinarily be taken in stacks and immediately after the stacks are made.

The height of the stacks shall not be less than the minimum indicated in the schedule. Where for any special reasons final measurements have to be taken in wagons in terms of the stipulations in the contract, no deduction for sinkage and/or shrinkage shall be made in respect all the materials, if measurements are taken at the destination.

d) In the case of carried earth, borrow pit measurements may be allowed at the discretion of the Divisional Officer and in such a case no deduction in volume shall be made.

For the purposes of supply and or for any either purpose (a) 110 c.f.t. of Jhand or brick bats shall be taken as equivalent to 100 c.f.t. of khowa and (b) 100 c.f.t. of brick bats to 800 nos of bricks. No allowance shall be made for wastage of materials in transit and/or in restacking at a different place except in cases where such wastage is due to reasons beyond the control of the contractor. In the latter case or in the case of discrepancy arising out of shrinkage and or shrinkage allowance the loss or gain should be dealt with under the rules.

The above conditions and the stipulations regarding deduction to be made shall invariably be clear and specifically mentioned in the notices inviting tenders and quotations.

12.5.10 The rates at which deductions are to be made for shrinkage and/or shrinkage in the measurement of certain materials and minimum heights of stacks for the purposes of supply and carriage, are indicated below:

Sl. No	Material	Fraction to be deducted from apparent volume of fresh stacks	Minimum height of stacks
1.	2.	3.	4.
1	Stone chips	1/13	13"
2	Stone metal	1/13	13"
3	Stone boulders (6 in size)	1/9	18"
4	Stone boulders (6 or above in size)	1/7	21"
5	Carried earth	1/9	13.5"
6	Rubbish (building or kiln)	1/9	13.5"

7	Steam coal	1/8	24"
8	Slack coal	1/8	24"
9	Sand	1/8	24"
10	Soorkie	1/4	24"
11	Lime	1/5	24"
12	Morrum	1/13	13"

12.5.11 In respect of the earth works, the CEs have approved allowances in the shape of extra percentage towards shrinkage, wastage etc., The various allowances approved by them are furnished below indicating those applicable upto 31.8.80 and those applicable from 1.9.1980.

(C.E.Irrigation & Power Circular No:93/25-90-II dated 8.9.1980 15-13/II/P.28).

Sl no.	Items	Existing allowances as per CEs circular no:078/95/73-2 dt.15.12.1976	Allowances now to be made in all estimates w.e.f.1.9.1980
5	Allowance for shrinkage in all cases of conveyance	12% to 12.5%	12% to 12.5%
1.	2.	3.	4.
1	Swell factor for conveyance by tippers/lorries etc)	Up to 8%	10%
6	Compaction allowance due to proctors density	25%	18%
2	Allowance for boulders for quarries	10%	10%
7	Spreading charges	5%	Nil
8	Shrinkage allowance	Nil	Nil
3		2% to 2.5%	2% to 2.5%
4	Wastage Allowance	5%	1%

Note:- 1. The relevant

certificate to be submitted in support of the relevant allowance prescribed in CEs circular dt.15.12.1976 have to be submitted even in future. As already stipulated in the circular dt.15.12.1976, the allowance for compaction, shrinkage and swell factor in case of conveyance i.e, allowance for items at 1, 5 & 6 above are not admissible in the case of head loads.

12.5.12. Imported stores short arrivals and damages: In respect of stores shipped to India by the Director General, India Store Department, London, in all the ships under the British flag and almost all ships under the Common wealth flags the liability for claims or damage against the ships is increased from £100 per package to £200. The time-limit for such a claim is also increased from 12 months to 24 months subject to the condition that the notice

of claim with the particulars is given within 12 months and there is no undue delay in giving relevant information and confirming the claim against the ship-owners. This arrangement will not cover stores shipped by the Director General, India Store Department, London, in foreign-owned ships and a few ships under the common wealth flags. All the doubtful cases should be referred by the controlling officers to the Director General, India Store Department, London for advice.

(Office memo no:p.II-209(81) dt. 2.1.1956 from G.I.Min. of Works, Housing and Supply, New Delhi and CAG`s Memo no:245-Admn-II/245/55 dated 14th February, 1956).

ANNEXURE I

(Referred to in paragraph 12.1.6)

Statement of annual financial stock taking to end of the financial year in respect of Project
(Rs. in thousands Quantity in thousand of units)

No.	Detailed head of account	Work to be done as per the latest technically sanctioned estimate	Progressive total of works done to end of previous year	Work done during the current year	Progressive total of work done to end of current year (col 4+5)	Further work to be done (estimate)
(1)	(2)	(3)	(4)	(5)	(6)	(7)

Ultimate total work (col 6+7)	Col.6 as percentage of col.8	Variation between col 3&8	Target date for compl e-tion	Time within which the project is expected to be	Remark s how the saving (value) will be	Remarks how the excess (in value) will
		Quantity value	Quantity value	Quantity value	Quantity value	Quantity value

					project	complete	utilised	be met.	
						d			
						(reasons			
						for delay			
			Quantity	value		in			
						completi			
						on to be			
						given)			
Quantit	Phy sica l	Finan -cial	(-)	(-)					
y value			savings	savings					
			(col.3-	(col.3-					
			8)	8)					
			(+)exces	(+)exce					
			s (col.8-	ss(col.8					
			3)	-3)					
(8)	(9)		(10)	(11)	(12)	(13)	(14)		

FOOT NOTE

This form is intended to be applied to all projects of irrigation/drainage schemes costing more than Rs. one crore.

The Value shown in column 5 should agree with the values as booked by the **P.A.O/AG**. Column 3 should be filled in from the sanctioned project estimate. If the detailed heads cover more than one subject details of subworks/sanctioned units and estimated cost should be shown separately one below the other in the order in which they are shown in the project estimate. Items for which quantities are not available may be clubbed together and the total value shown in column 3.

Totals (Values should be struct for each sub head, minor head of account and for the entire Project at the end.

In the case of buildings, the number of buildings sanctioned, completed and the balance to be built (including those under construction and at various stages) should be noted. In the case of “B-Land” the number of acres estimated to acquire etc., should be furnished.

In the case of special T.& P., the number of machinery and equipment sanctioned to be acquired, the number procured and the number expected **to be procured should also be given** besides Value. In respect of major items costing Rs.25,000/- and above, details of number and values may be given. Other minor items may be clubbed together and only values indicated. There should also be separate statements showing `A`Gross purchase `B` deduct-Recoveries on account of depreciation and sale `C` Maintenance, repairs and operations charge and `D` - Credit to maintenance, repairs and operation be debit to work.

A suitable note should be appended narrating the salient features, future liabilities, cost of establishment and T.& P. expressing each as a percentage of outlay on works (1-Works) compared to the previous year/years with reasons for the reduction or the excess or the slow progress.

Where the work is at different stages a rough assessment of the total of the physical achievements should be indicated.

It should be indicated whether revised administrative approval (if necessary) has been obtained and if so reference to the same quoted.

12.2 Audit of Externally Aided Projects

The agreement for loan/development credit entered into by the International Bank for Reconstruction and Development (IBRD or World Bank) and International Development Association

(IDA) with the Government of India for financing development projects to be implemented by the departments of the Central Government, State Governments, Public Sector Undertakings and autonomous bodies etc., include specific covenants, for Accounts and Audit. These covenants inter-alia provide that the Government or the Project entity shall a) maintain records and accounts adequate to reflect accordance with sound accounting practices, the operations, resources and expenditures in respect of the projects b) have the records and accounts of the projects for each fiscal year audited in accordance with the appropriate auditing principles consistently applied by independent auditors acceptable to the Bank, c) furnish to the Bank before the specified date, a certified copy of the report of audit referred to in paragraph "b" by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, and d) for all expenditures (without documentation), furnish the report of audit referred to in paragraph "b" as containing a separate opinion by the independent auditors as to whether the Statements of Expenditure, together with the procedures and internal controls involved in their preparation, can be relied upon in support of such withdrawals.

The World Bank has accepted the CAG of India to an Independent Auditor for the purpose of certification of accounts and issue of audit certificates in respect of projects being executed in India with World Bank financial assistance.

An Integrated Audit Certificate is to be issued by the Accountant General (Audit) to the project authorities for onward transmission to the Bank by the date specified in the agreement in the prescribed form (Annexure) based on irregularities noticed in Central Audit as well as Local Audit in relation to the accounts of these projects.

The annual accounts to be certified are the annual expenditure statements in respect of projects executed by Government Departments and the Accounts that are certified by us as sole auditors in respect of projects executed by other bodies and authorities. The Integrated Audit Certificate is considered adequate for the purposes of the World Bank and it would not be necessary for the Bank to await the all inclusive Audit Report of the CAG submitted to the Legislature. As the audit certificate is not to be published and is in the nature of a document exchanged between the clients and the Bank, this certificate should indicate, in brief the amounts held under objection in relation to wanting vouchers, DC Bills, sanctions etc., and misclassification, defalcation, overpayments etc., that come to notice.

The project authorities are required to furnish the Accounts/Statements of expenditure for audit within a specified period. After verification and reconciliation of expenditure in A&E Office the reconciled accounts/statements are passed on to this office mentioning each category of objection and amount thereof as per their records for the purposes of issuing Audit Certificate after adding the irregularities noticed in Central Audit as well as Local Audit in relation to these projects should be distinctly recorded and separate files for certification and issue of audit certificates in respect of each project be maintained. In cases where for some valid reasons it is not possible to certify together the accounts and the Statements of Expenditure within the specified period the Statements of Expenditure should be certified separately adopting suitably the relevant portion of the prescribed form of the Audit Certificate, in time.

(Para 3.16.22 of MSO [Audit])

ANNEXURE I
(See para 12.2(ii))

(To be in the proper letter head and to be signed by an officer not below the rank of DAG/DY.

Director (Audit).

OFFICE OF THE

NO.....

AUDIT CERTIFICATE

The Expenditure Statements/Financial Statements relating to the Project (Loan/Credit No....) for

the year attached hereto have been audited in accordance with the regulations and standards of

audit of the Comptroller & Auditor General of India and accordingly included such tests of accounting records, internal checks and controls, and other auditing procedures necessary to confirm.

a) that the resources were used for the purpose of the Project;

b) that the expenditure statements/financial statements are correct.

During the course of the audit referred to above, statements of Expenditure (Each Application No and amount to be indicated) and the connected documents were examined and these can be relied upon to support reimbursement under the aforesaid loan/credit agreement.

On the basis of the information and explanation that have been obtained as required and according to the best of our information as a result of the test audit, it is certified that the Expenditure Statements/Financial Statements read with the observations set out below represent a true and fair view of the implementation (and operations) of the Project for the year

Signed _____ (NAME & DESIGNATION)

CHAPTER - 13

INSPECTION OF THE ACCOUNTS OF THE PUBLIC WORKS OFFICES

SECTION I

13.1. General

13.1.1 Paragraph 6.1.19 of M.S.O (Audit) enjoins that the inspection and test audit of the accounts of each Public Works Division should be conducted by a Senior Audit Officer/Audit Officer, according to the programme of inspections, the principles of which are settled from time to time in consultation with the Comptroller and Auditor General of India.

13.1.2 The inspection of Public Works Offices is arranged division wise in the case of Irrigation and Command Area Development (I&CAD), Roads and Buildings (R&B) Departments. Inspection of these divisions as well as the offices of the Superintending Engineers and Chief Engineers should be done annually whereas inspection of Survey and Investigation as well as wholly maintenance division need be done biennially.

(C A G's Circular No.1063-TA II/222-82, dated 7-9-1982)

13.1.3 Strength of the Inspection party

The Inspecting Officer should be assisted, at the inspection of each office, by staff adequate to

complete the inspection of an office within the period allotted for the purpose. The field party should comprise two Assistant Audit Officers and one Senior Auditor/Auditor and must include at least one experienced Asst. Audit Officer. Inspection work is important and requires special aptitude and the staff should be selected carefully. (In no circumstances should Supervisors be appointed in lieu of Section Officers on public works inspection duty).

(CAG's Circular 561-TA.I (O&M)/65-2 dated 1.2.1966 read with circular No.5-AC II/1991 dated 14.2.1991).

13.1.4 Inspection by Senior Deputy Accountant General (ES)

The group officer is required to carry out field inspection on an average for a minimum period of seven days in each month. This limit is not mandatory and the same could be relaxed by Accountant General (Audit) in respect of supervising officer who had been holding dual or extra charge or working under abnormal conditions.

(CAG's letter No. 99-O&M/41-70(KW) dated 16.4.1971 and No.71-TA.II/120-82 dated 16.2.1983).

13.1.5 **Objects of Inspection:** The primary objects of inspection are

i) A test audit of such accounts vouchers etc., as are not audited in the Audit office or as cannot be checked completely except during local audit and

ii) examination of the initial accounts from which the accounts rendered by Divisional Officer are compiled, or on which they are based, so that it may be seen that those accounts are properly maintained in the prescribed forms.

13.2 AUDIT PLANNING

13.2.1 An audit plan has to be prepared for the year ahead of the activities that the office is required to undertake on regular basis by utilising the manpower optimally with special thrust on more important audits and at the same time not ignoring relatively unimportant units or taking them up for audit with less frequency. A report in this regard should be sent by ES- I Coordn to Headquarters office so as to reach by 15th April every year in the proforma appended. **(Annexure I)**

(Circular No.4/Audit planning/94-No 822 Audit (Aud.Plg) 193-94 dated 22-12-94 from Headquarters office).

13.2.2 Further in order to monitor the level of Civil audit conducted in institutions due for audit in various Civil Audit Offices, Headquarters have prescribed quarterly returns to be submitted by 15th April, July, October and January for the respective preceding quarters. The proforma I **(Annexure II)** has to be submitted by ES- I Coordn-to CASS Co-ordination by 10th of the above months. The proforma II **(Annexure III)** has to be submitted by IR Cell section by 5th to ES- I Coordn and in turn it should consolidate and submit to CASS Co-ordination by 10th of the above months. (Headquarters No.467 - Audit (Audit Planning) 48-95 dated 8th June 1995.)

13.3 Forecast and Programme for Inspection:

13.3.1 The Inspection Report Cell section should maintain a Register of Inspection of P.W. Offices/Divisions indicating the name of the division with headquarters, the date on which the local inspection was conducted in the preceding year, whether the Division is permanent or

temporary, whether it is a heavy or light Division, number of major works in the Division, total

expenditure during the previous year etc. The IR Cell should maintain this register. Any changes in the constitution of the divisions viz., merger, abolition, bifurcation etc., should be intimated by the IAU Sections promptly. This information should be correlated with that available in ES- I Coordn so that the forecast and programme for Inspection may be correctly drawn. (As per para 2.6(ii) (d) of Manual of Works Accounts Department of AG (A&E),

Works Accounts Section of A&E office should furnish a statement of defunct divisions to ES- I Coordn on the 10th of every month.

13.3.2 For each quarter, a programme of Inspection should be drawn up by the ES- I Coordn taking into account the Divisions/Offices to be inspected during the quarter on 10th June/10th September/10th December and 10th March and got approved by the Sr.D.A.G.(ES- I). The annual forecast of the Tour Programme should be submitted to the Principal Accountant General by 10th February each year for approval.

13.3.3 Copies of quarterly tour programmes of the field parties should be sent to the AG(A&E) also. (TR 393 dated 16.3.94 of AG AU.II No.IR Cell/D/93-94 dated 31.3.1994)

13.3.4 ESI Coordn. /IR Cell should take into account the annual expenditure of the Division for the purpose of allotting the days to the Inspection Parties. The following norms may be followed for working out the requirement of staff for audit of P W Divisions/Offices.
SL NO.

NATURE OF DIVISIONS/OFFICES PARTY WORKING DAYS

1	Survey, Investigation, Design, Research and quality control Divisions (Biannual)	8 days
2	Maintenance P.W. Divisions (Biannual)	9 days
3	Construction Divisions with expenditure	
i)	up to Rs.80 lakhs	8
ii)	above 80 lakhs and up to Rs 1.20 Crores	10
iii)	above 1.20 Crores and up to Rs.2 Crores	12
iv)	above 2 Crores and up to Rs.2.50 Crores	14
v)	above 2.5 Crores and up to Rs. 3 Crores	15
vi)	above 3 Crores	16
4	Chief Engineers Offices	5
5	Superintending Engineer/Surveyor of works offices	3
6	Estate Offices	
i)	Director of Estates	20 to 30
ii)	Other Estate Offices	10

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

(CAG circulars Nos. 117-TAII/1980-1116-TA II/34-81 dated 21.9.81 and No.28 TA II/1988

335/TA II/222.82 dated 18.3.1983).

13.3.5 In addition, one day is allotted for each Division for conducting nominal audit. (CAG's letter No.1527-TA II/34-81 dated 16.12.1981).

13.3.6 On receipt of the programme from ES- I Coordn Section, the IR cell Section concerned should note the dates of inspection in column III of the Register prescribed in para - infra.

13.3.7 One month before the date of the inspection, the IAU(W) sections should after collection of expenditure figures from the Office of the AG(A&E), submit to the Sr.DAG (ES-I) through the Branch Officer, an office note with details of month-wise expenditure from the month of last inspection as per audited account and a list of major works and the expenditure incurred thereon up to date and the names of the sub divisions, to enable the Sr.DAG(ES-I) to select the months for detailed check and arithmetical accuracy, works for analysis and the sub division for test check. The selection of two months in each Division in an year may be so chosen that, one month may be that in respect of which, Central Audit has been completed and the other month may be selected at random (CAG Lr.No.166 Audit II/119-86/Vol III

dt: 7-2- 1990 - File CWAC/B/15-516/92-93 Vol I). In the list of major works and the list of sub divisions submitted to the Sr.DAG(ES-I), the information should be furnished about the years in which the works/ sub division have been previously analysed/test checked. Where there are no major works at all, two minor works should be selected.

(I.R.Cell (Works) Circular issued in No.703, dated 22-3-2000)

13.3.8 While submitting to the Sr.DAG(ES-I) the notes as required above for selection of month for detailed audit etc., the IR Cell section should furnish information in respect of the following items also:

- i) List of special points for detailed examination.
- ii) List of points marked for verification during local audit.
- iii) Outstanding IR Paras.

Note:- In respect of local audit of NH Divisions, para 11.2.3 of this manual may be referred to.

13.3.9 With a view to ensuring that works already selected are not included in the above list and to watch the despatch and receipt of documents, the IR Cell ~~each IAU (Works) Section,~~ should maintain a Register in the form given below for each Division dealt with in the section.

Register to watch works analysed, despatch of documents etc.

Sl. No

Year Period of Inspection

Works selected

No. and dt. Of letter in which the documents were despatched to the party

Date of receipt of documents from the party

Remarks Initials

Column 3 of the register should be posted as soon as the programme is received from ES-I Coordn. Section and columns 4 &5 should be posted after selection by the Sr.DAG (ES-I). The Register should be submitted to Branch Officer and Sr.D.A.G. along with a note for selection of work. The other columns of the register should be filled in as and when the event occurs. It should be submitted to the B.O every month on 5th of every month. Advance intimation of inspection of PW Offices should be issued by ES-I Coordn. with a copy of programme to the IR Cell. Detailed intimation indicating works selected for analysis etc., should however continue to be issued by the sections.

13.3.11 All cases of IR Cell to be referred to the inspection parties should be directly forwarded to the parties by IR Cell need not call for these files from IR Cell. The form of detailed intimation of confirmation issued to the Divisional Officer and the list of documents required for inspection are given in **Annexure IV & V**. In order to maintain secrecy about the works selected by the I.O., for analysis, few more works should always be added to the list of selected works while intimating the names of works to the Divisional Officer through Half Margins during local inspection.

13.3.12 Documents to be supplied to the inspecting staff from Central Audit:-

After issue of intimation to the Divisional Officer the IR cell concerned should proceed to collect the following documents for supply to the inspecting staff for the purpose of inspection and Test Audit. These documents should be despatched to the Inspecting Officer by registered post so as to reach him a few days prior to the commencement of inspection.

(i) (a) Complete set of the audited accounts for the selected months with the Scheduled Dockets, Vouchers, Audit Notes and also foils of paid cheques relating to the accounts of that month obtained from Accountant General (A&E).

b) Monthly accounts for September, March and March Supplementary for the purpose of check contemplated in para 45(B) and note below para 47 of secret Memorandum of instructions relating to extent of audit.

(ii) Scheduled Dockets and Vouchers for the selected work/works from the date of commencement of work to date.

(iii) The last annual return of interest bearing securities and annual certificate of balances.

(iv) A memorandum signed by the Sr.D.A.G.(ES-I) of points noted from time to time since previous inspection as requiring special attention or examination on the spot vide para 2.13 Supra.

(v) List of outstanding objection book items, audit notes and paras of Inspection Reports.

(vi) Latest Inspection Report along with rough notes. The up to date position of outstanding paras mentioned in Part I of the last Report should also be indicated.

(vii) In terms of Headquarters circular No. 5 Audit II/92 No. 642 - Audit II/87-88 (ii) dated 27-5-1992

and as clarified in Headquarters letter No.1070-Audit II/87-88 Vol.II dated 10.9.1992, for the purpose of audit of draws by the auditee organisation from Treasury, the IAU(W) sections should requisition for list of payments etc. in time, to the Departmental compilation section of A.G (A&E). After getting the documents, the IR Cell should photocopy them and send the photocopy to the field party in accordance with the programme. The original list of payments etc., should be returned to the Departmental Compilation Section thereafter.

(viii) While preparing the list of outstanding paras, the I.R file and the progress register should be compared and it should be ensured that the list is complete and correct in all respects. The list of outstanding paras and points for verification should be attested by the AAO/SO/Supr.

Concerned.

(ix) In order to ensure that documents sent out to the inspecting party are received back intact, a list of all vouchers and scheduled dockets should be prepared by the auditor concerned which should be checked by the section officer and any missing documents reported to Branch Officer at once. After the inspection is completed the Section Officer/Auditor of the party should detail the documents which he returns to the office and the Section Officer of the section should see that all the documents have been duly received and acknowledged by the Auditor concerned. This acknowledgement should be filed in the file of the Inspection Report under the signature of the Section Officer. A timely despatch of vouchers and other documents to the party should be watched through the register referred to in Para 13.3.10 Supra.

x) When the documents (SDTs, Vouchers of the work for analysis, monthly accounts etc., are sent to the division, the O.E Section should be instructed to indicate on the

top of the cover “Await arrival of the party”. The despatch of the documents should be watched in the register maintained for the purpose and sent to I.R Cell for review on 10th of every month.

The documents to be checked during inspection are listed out in **Annexure V**.

13.4 PUBLIC WORKS INSPECTION

13.4.1 The composition of a Public Works Inspection Party will generally be two Assistant Audit Officers and one Senior Auditor. The following could be the distribution of work in such a party:

Conducting Desk Review:

The Audit party identified for audit of an individual entity should carry out a desk review at Headquarters before embarking on an audit. The review should comprise a study of the guard file, data analysis to determine the direction/focus of audit and transactions that are prone for verification in the field.

(Source: PPG’s Lr.No. 226-09-PPG/2017, dated 23.08.2017 Guidance Note 23.08.2017 from Headquarters Office)

(A) Senior Audit Officer/Audit Officer

1. Review of all regular contracts and of a percentage of other agreements made since the last inspection:
2. Review of Register of Revenue other than rents including a review of the procedure for its assessment and realisation, special attention being paid to cases where a short fall is noticed in the revenue derived from any particular property;
3. Review of the system and the extent of check measurements by divisional and sub-divisional officers and review of the check of measurement books by the Divisional Accounts Officer.
4. Review of balance of stock, system of acquisition of stores and of store verification;
5. Review of accounts of manufacture operations.
6. Review of the banking arrangements to see that they are generally satisfactory.
7. Review of the arrangements for the custody of cash and withdrawal of money from cash chest
8. General review of the account of works (the nature and extent of detailed scrutiny being left to the discretion of the Inspecting Officer);
 - (a) Muster Rolls,
 - (b) Transfer Entry Books,

- (c) Suspense/Deposit Register
- (d) Schedule of Rates,
- (e) Register of rents of buildings and lands,
- (f) Establishment records,
- (g) Monthly Accounts.

(B) Assistant Audit Officer

1. Complete analysis of selected works with reference to sanctioned estimates, agreements, etc., and connected measurement books;
2. Material-at-site accounts of selected works;
3. Examination of the Register of major and minor works;
4. Disposal of special points referred by Central Audit;
5. Stock accounts including general review of stores ledger, bin cards, etc.,
6. Complete checking of contractors ledgers for the selected months;
7. Examination of abnormal rates quoted by contractors;
8. Examination of arbitration cases;
9. Checking of extra or substitute items-derivation of rates, etc.,
10. Scrutiny of estimates of special repairs.
11. Survey Reports along with registers of survey reports;
12. Disposal of previous inspection reports.

C) Assistant Audit Officer - II

1. General review of cash book with reference to counterfoils of cheques/receipts;
2. Tracing of receipt in cash books;
3. Remittance book;
4. Checking of transactions in the selected months with cash book and other allied records;
5. M.A.S accounts and road metal returns in respect of works affected during the selected month;
6. Transfer Entry Books since last inspection;
7. Checking of contractors' ledger for the affected works in the selected month including complete checking of the ledger since last inspection.
8. Examination of tools and plant register;
9. Register of leases/lease files;
10. Register of Muster Rolls and Muster Rolls;

11. Register of licence fee of buildings and lands;
12. Register of agreements/works order.

(D) SENIOR AUDITOR

1. 25% check of Service Books;
 2. Complete checking of Pay and T.A. Bills;
 3. Checking of leave account of Government servants including leave salary and checking of increments;
 4. Provident Fund accounts of work charged establishment and Group D Government Servants;
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5. Log books of motor vehicles/construction machinery;
 6. Suspense and Deposit Register;
 7. Treasury bill books;
 8. Register of Fixed charges.
 9. Contingent Register;
 10. Register of Service Books/Service Books;
 11. Register of interest bearing securities.

13.4.2 In case the composition of the P.W Inspection parties is one Assistant Audit Officer/Section Officer and two Senior Auditors, the distribution of work amongst the party members would be as under:

(A) Senior Audit Officer/Audit Officer

Same as those detailed in para 13.4.1 (A) above.

(B) Assistant Audit Officer/Section Officer

Same as those detailed in para 13.4.1 (B) above.

(C) Senior of the two Sr. Auditors

Same as those detailed in para 1 (C) above.

(D). Junior of the two Sr. Auditors

Same as those detailed in para 1 (D) above.

13.4.3 In addition to items of work enumerated above, the following miscellaneous item of work should also be attended to by the Inspecting Officers personally -

- 1) Review of the Register of Divisional Accounts Officers audit objections.
- 2) Review of the Inspecting Report of the Suptd., Engineer, the Divisional Officers and the

Divisional Accounts Officers;

- 3) Review of irregularities noticed in previous reports, which remain unremedied;
- 4) Review of the extent to which instructions and orders previously issued and noted for compliance are being observed in practice,
- 5) Any arrears or confusion in the accounts work of the division.

NOTE: It should however, be clearly understood that the introduction of this list is not intended in any way to diminish the responsibility of the Inspection Officer for the supervision of the inspection as a whole and it is open to him to extend his personal scrutiny to other points which in his opinion require it.

13.4.4 Allocation of work

The Inspecting Officer is primarily responsible to see that all work done by him and his staff (who should be guided, where necessary) is carried out in accordance with rules prescribed in this behalf and subsidiary instructions in this Manual. Even in regard to the items of work entrusted to the subordinate staff, the Inspecting Officer shall remain responsible for the efficiency of the work. Duties and responsibilities assigned to the Inspecting Staff on Public Works inspection are prescribed in Annexure to Para 6.1.5 of M.S.O (Audit) which are reproduced above.

13.4.5 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.

13.4.6 The Inspecting Officer should try to get all the facts and explanations in respect of irregularities on the spot. 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 Report of Comptroller and Auditor General, he should take particular care to clinch all the issues involved, to collect all relevant information and also to take attested copies of these documents which are likely to be useful in pursuing the matter with the higher authorities. The Inspecting Officer should also get a certificate recorded as under by the officer whose office has been inspected.

“Certified that the Inspection Report has been discussed and facts mentioned therein verified and found correct”.

13.4.7 (a) The Inspecting Officers while conducting local inspection of accounts of various P.W. Divisions and other institutions should give a separate confidential note about the state of accounts of the organisation in **Annexure VI**.

(b) The Inspecting Officers should discuss with the Officer-in-charge of the Division and find out the reasons for that state of affairs whether it is due to inadequacy/inefficiency of the staff or due to other reasons.

(c) This note should be filed separately and sent along with the inspection report. It should not form part of the inspection report and should be detached at the time of getting of the reports and sent to ES I Coordn after categorisation for consolidation and submission to the Accountant General for his information at the time of annual review.

NOTE:- For every office inspected, there must invariably be a confidential note as prescribed above on the general state of initial accounts and the short comings, if any. This note should be given by the Inspecting Officer himself and there should not be any remarks such as “No Material”. In case the state of affairs of the initial accounts is found to be satisfactory, the Inspecting Officer should indicate the same in the aforesaid confidential note.

13.4.8 It is essential that the Inspecting Officer should take cases of financial irregularities and collect all necessary data that is likely to be required for finalising the draft para for the Report of Comptroller and Auditor General. The facts should be got verified from the local offices and at the same time they should be fully discussed with them.

13.4.9 As per 5.13 (C) of Manual of Inspection (Civil) all observation memoranda should be written in duplicate, one should be issued to the Division and the other should be retained with rough note which will be the basis for preparation of I.R. in case reply is not received. (IRC/15-60 dated 29-10-1981).

13.4.10 A list of the documents/records/accounts which are required to be audited or reviewed during the inspection of the accounts of the division is given in **Annexure V**. The Inspecting Officer should ensure that these accounts are maintained in accordance with the rules. The important points which should receive the special attention of the inspection staff in the general examination of the Public Works Accounts and of the above mentioned records are detailed in subsequent paras. These instructions are in no way intended to fetter the discretion of the Inspecting Officer in the conduct of the inspection. Conditions differ so much in different divisions that apart from the points mentioned above there may be various directions in which an intelligent Inspecting Officer may find scope for his activities. An intelligent inspection of the initial account records may bring to light irregularities which will never be brought out by a mere formal inspection carried out strictly in accordance with these instructions.

13.4.11. All accounts records not specifically dealt with in this chapter should be inspected and examined

generally to see.

- i) that the prescribed procedure and forms are in use;
- ii) that they are kept up-to-date; and
- iii) that there are no financial irregularities or serious errors.

SECTION II

13.5 Detailed instructions for checking of documents.

13.5.1 **CASH BOOK:** - Checking of Cash Book is for one month only i.e., for selected month. In addition to checking of cash book for the selected months` accounts, arithmetical

accuracy may be checked for one more month selected at random. In addition to the checks prescribed in para 40 of Memorandum of Secret Instructions regarding the extent of audit, it should be seen that -

- (i) The cash book is posted in accordance with the instructions on Public Works Account Form-1 (Cash Book);
- (ii) All cash recoveries are paid into the treasury promptly and duly acknowledged in the Treasury Remittance Book on Challan. (The check of remittances should be done for two months as usual);

13.5.2 Instructions have been issued by CAG vide Order No.8-AC2/1990/369/102/AC II/80 dt.28-05-1990 that verification of remittances with reference to treasury records during local audit of P.W divisions is an important check in the working of treasuries and therefore independent verification of remittance with reference to treasury records for the selected months of audit must be conducted by the inspection parties during the course of inspection of P.W divisions. The I.Os are requested to see that verification of remittances into treasuries as recorded from the books of office inspected is done independently for the two months selected for audit with reference to treasury records by deputing a member of the inspection staff to the District Treasury/Sub-Treasury as the case may be.

13.5.3 When the district Treasury/Sub treasury is not located at the same station as the place of inspection, such verification may be made through correspondence with the Treasury and result of verification may be communicated to IR Cell. In case in any division if

there are no remittances in the months marked for audit the I.O may select any other two months for verification. (Circular No.5 of CWAC/B/16-1/90-91 dt:26-06-1990).

13.5.4 Navigation receipts (wharfage, six weeks and annual licences of boat, etc.,) as shown in lock or wharf Superintendent's cash account (in Form P.W.A XLI (c) are correctly accounted for in the divisional or sub-divisional cash book concerned (Appendix 6 to A.P.W.A Code);

13.5.5 The lock and Wharf Superintendent's cash accounts are checked with the days books (Form P.W.A XLI (a) & (b) and their accompaniments (receipts for remittances, duplicate tickets and collected tickets) in accordance with the rules in Appendix 6 to the A.P.W.A Code.

13.5.6 There is no habitual or undue delay in the submission of extracts from sub-divisional cash book along with all vouchers to the divisional office and that the page as well as the monthly totals are noted in ink and are not altered.

13.5.7 There is evidence in the cash book of verification of all entries of receipts and payments and 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 Art. 83 Account Code; Vol.III; and the page as well as the monthly totals are noted in ink and are not altered.

13.5.8 The entries on the vouchers taken from the Audit Office agree with the entries in the Divisional and Sub-Divisional imprest accounts;

13.5.9 There is no tendency to keep on unduly large cash balance in hand; (Para 139 of A.P.W.A Code);

13.5.10 In the case of time expired, lost and cancelled cheques, the procedure indicated in paras 144 and 145 of APWA code is followed

13.5.11 Copies of remittance slips are received in the divisional office from the Sectional Officers whenever revenue collected by a Sectional Officer is remitted by him to the sub-divisional officer or other superior officer having a cash book and are checked with the receipt entries appearing in the copy of other sub-divisional cash book. (Para 148 of A.P.W.A Code);

13.5.12 Monthly Statements containing full particulars of amount collected and remitted by Sectional Officer during a month are received in the divisional office and that

these statements are verified with reference to the entries in the cash book and prompt and efficient action taken in regard to discrepancies, if any;

(Note 3 under Para 148 of A.P.W.A Code);

13.5.13 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 utilised; (Rule 1 under para, 152 of A.P.W.A Code);

13.5.14 The cash balance with the subordinates are checked occasionally by the Sub-Divisional Officer; (C.E's Memo No.3410-A. 829-1, dt 8th November, 1929.)

13.5.15 In respect of realisation of rents of inspection bungalows, alternate visitors' books for each inspection bungalow are maintained, one for the months of April, June, August,

October, December and February and the other for the other six months of the year; and these books are submitted to the Sub-Division Office on the 1st of each month for verification of the collections with the cash book, and the fact of such verification is entered in the respective books quoting reference to cash book entries, and a certificate in the following form is submitted monthly by the Sub-Divisional Officer to the Division Officer:-

“Certified that the entries for the month of in the inspection bungalow visitors' books have been duly verified and the collections during the month agree with the amounts remitted into the treasury”

(Vide Chief Engineer's (Buildings and Roads) Memo No. 2184-AC/37 C.P., dated 20th October, 1937.).

13.5.16 Whenever the cash balance pertaining to a cash Book is counted a simultaneous count of all cash balances (with relevant accounts) in charge of the disbursing officer or other

custodian of the cash chest is made. A note of the count specifying the amount both in words and figures should be made in the Cash Book or account concerned.

Note: - The Comptroller and Auditor General has approved the accounting of temporary advance

in all the P.W.D Divisions direct in the cash book of the Divisional or Sub-Divisional Officer, as the case may be instead of through an imprest account as required by Article 88 of the Account Code. Vol.III.

13.5.17 The inspection parties should conduct a test check regarding the delay in submission of schedule of settlement with Treasuries and delay in obtaining Certificates for

the remittances stated to have been made into the Treasury. The difference may be investigated and reported to Central Office.(IR Cell/15-40/80-81/289 dated 21-11-1980).

13.5.18 Adequacy of action taken on misappropriation defalcation etc.,

In respect of misappropriations, defalcations etc., legal provisions exist in the Criminal Law Amendment Ordinance 1944, for the attachment of property of the officials charged with misappropriation pending completion of criminal action against them. Provision also exists for

attachment of property alienated of the accused. The provisions of ordinance were invoked in the

case of an embezzlement in Sub-Treasury Vinukonda. Inspecting Officers may examine whether recourse to legal provisions was taken by the department, in cases of embezzlements misappropriations etc., and make a specific mention on this point in the Inspection Reports.

Controlling Sections of main office also may ensure this (A.G`s orders dt 27-10-1979 P 275 of D.P. Cell File I)

13.5.19 Imprest Accounts:- It should be seen that -

(i) Imprests are closed and recouped punctually before the cash book for the account month concerned is closed and the amounts of imprests are not unduly excessive (Para 169 of A.P.W.A Code)

(ii) There are no avoidable delays in the adjustment of long standing “temporary advances”;

(iii) Special sanction of Government exist for imprests exceeding Rs.1,000. (Para 168 of A.P.W.A Code)

(iv) The Deputy Executive Engineers do not enhance or permanently reduce or close imprests without the orders of the Divisional Officer; (Rule 1 under para 170 of A.P.W.A Code)

(v) The Certificate of count of cash balances in the imprest account is given after actual count;

(vi) Receipts from the imprest holders have been obtained and filed for imprests outstanding on the 31st March of each year (Para 572 of A.P.W.A.Code);

(vii) The Payments from imprest holder`s private cash is not made for Government liabilities

or charges before the imprest cheque is cashed; and

(viii) The annual certificate of balances of cash reports as sent to the Central Office agrees with

the balances actually outstanding on that date. (G.O.No.1140 W., dated 15th October, 1909).

13.6 Audit of Government Revenue Receipts:-

13.6.1 In conducting the audit of Government Revenue Receipts the principles laid down in paras 2.4.1 to 2.4.12 of the M.S.O (Audit) should be particularly borne in mind.

13.6.2 It should be seen that suitable record and accounts calculated to resume punctual

assessment and realisation of revenue or other recoveries are properly maintained.

13.7 Check of foils of paid cheques:-

13.7.1 20 per cent of the foils of paid cheques of the selected month should be checked in detail with the cash book and vouchers with a view to seeing that payments have actually been

made to the persons entitled to them;

13.7.2 In scrutinising the paid cheques, the endorsements thereon should be connected with the Acquittance on the vouchers and it should be seen inter alia that no divisional employee

figures in them;

Note 1:- The fact of the above check having been effected should be recorded in the office notes relating to the inspection.

(A,G's remarks dated 20th March, 1933 on the Auditor General's Lr.No.231-Admn.V/87-31, dated 17th/18th March, 1933).

Note 2:- The cheque drawing officers of the P.W.D are authorised to affix their initials only instead of their signature in the counterfoils of cheques drawn by them.

(G.O.No.989 P.W. (Genl, dated 29th April, 1937),

Note 3:- Cheques which have been paid by the treasuries of another accounts circle need not be obtained for the purpose of scrutiny laid down in this paragraphs unless the Sr. Deputy Accountant General directs otherwise.

13.7.3 Register of private cheques received in the Division:-

When Government agree to accept cheques of private individuals in payment of Government dues, these should be treated as cash for all purposes and entered in cash account in the ordinary way just like other cash transactions. When they are sent to the bank for encashment, they should be shown in the disbursement column as remittances into the treasury. In order, however, to relieve the cash book of a large number of detailed entries in this respect, the cheques may be initially entered in a subsidiary register in the following form and only the daily total of receipt and remittance entered in the cash book.

Sl. No.

Date of receipt

From whom received

Name of the bank & Ch.No.

Amount on what accounts to be credited

Date of despatch to the Bank

Date of adjustment

Divisional Officers initials

Remarks

(C.A.G's Lr.No. 320-Admn./285/45, dt.16th April, 1946).

This Register should be examined to see that the cheques have been promptly sent to the banks and, realised and that adequate action has been taken in respect of dishonoured cheques.

13.7.4 Cheques and Receipts Books:-

In addition to check of foils of cheques detailed in para 13.7 supra it should be seen that:-

- (i) The corrections, if any on the counterfoils or the Memoranda of Balances on their back do not disclose any financial irregularity or overdrawal;
- (ii) The counterfoils of used cheque books are returned promptly to the Divisional Office for record and bear the certificate of check of the Divisional Accounts Officer and that they are destroyed after five years;
- (iii) No receipt in Form 3 is signed and granted before the cash receipt of the money has been recorded in the cash book or by an officer not authorised in this behalf;
(Paras 146 and 147 of A.P.W.A Code); and
- (iv) The limitation on the drawings by the sub-ordinate officers is properly watched.

13.7.5 ***Sale of Tender Forms***:-Receipts in respect of sale of tender forms need not be issued. The following instructions should be carefully observed in connection with the sale of tender forms:-

- (i) The forms are to be issued to contractors on payment of the prescribed cost of each form and a note "sold for cash" should be recorded on the form at the time of sale under the dated initials of the officials responsible for the sale of these forms in the Sub-Divisional/Divisional Office.
- (ii) An account of the receipt, issue and the balance of forms in stock should be kept in a suitable form.

(iii) Daily totals of the sale proceeds should be entered in the cash book and verified daily or as soon as possible with the cash book by the Sub-Divisional Officers/Divisional Officers and the entries in both of these documents initialled by them in token of their check.

(iv) At the end of the month the Register of receipts and issues should be properly closed and a certificate recorded as under:-

“Value of forms sold during the month has been verified and the entries in cash book duly initialled by me”.

13.8 Test Audit of the Accounts of selected month:-

13.8.1 All transactions (cash and transfer entry) as shown in the schedule dockets taken from the Audit Office, for which no vouchers are required to be sent to central audit, should be audited in detail besides ensuring that the total amount of such charges should agree with the total of the vouchers produced for examination, it should be seen (1) that there is on record voucher correct in all respects, in support of each item of expenditure, (2) that the charge is in order, (3) that it is

traceable into the schedule dockets concerned, and (4) that in the schedule dockets there are no

items treated as un-vouched charges, which should not have been so classified. It should be seen

in particular that all the vouchers were checked by the Divisional Accounts Officer at the proper

time and duly cancelled.

13.8.2 The correctness of the drawing by the division should be checked. It should be ensured that the transactions booked in the cash book, stock accounts, TEO Book, the accounts for the month are properly and correctly compiled and that the totals given in the several schedules and classified abstract of Revenue and Expenditure are fully traceable to the relevant records. (I R Cell I/15-16/77-78/478 dt: 13-12-1977).

13.8.3 The audited vouchers of the selected month, taken from the audit office should be examined so that it may be seen (1) that the quantities for which payments have been made are traceable, with the supporting details in the record of measurement (2) that in each case, the record of measurement itself is in order, (3) that the rates at which payments are 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) that 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.

13.8.4 A percentage of the foils of paid cheques brought from the audit offices should be checked in detail with counterfoils, cash books and vouchers so that it may be verified that payments have been made actually to the persons entitled to them. The endorsements and acknowledgements of the payees on cheques should be examined intelligently as to whether they give rise to any suspicion of a fraudulent payment. The endorsements on the paid cheques should be connected with the acquittance on the relevant voucher or vouchers and inter-alia it should be investigated whether any divisional employee figures in them. The Inspecting Officer himself may exercise this scrutiny or may entrust it to his staff. The fact of the necessary scrutiny having been exercised should be recorded in the official notes relating to the inspection.

13.8.5 It should be seen next that, if any of the vouchers and transfer entries of the month, including those taken from the audit office, affect the stock account, or the accounts of works, the charges against or credits to those accounts are shown correctly under the appropriate sub-head or suspense account and in the Contractors Ledger or the materials account concerned. If any charges relate to collection of road metal, the corresponding entries in the Road Metal Return kept under the rules of Government should be traced.

13.8.6 All transfer entries involving the rectification of errors should be examined and it should be seen

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

13.8.7 The stock accounts of the selected month should be examined and it should be seen that they are maintained in accordance with rules, the points of special importance being that (1) the quantities of both receipts and issues have been taken into accounts correctly (2) both receipts and issues are valued correctly, and (3) the issues to works have been classified under the appropriate subheads or suspense accounts and carried to the ledger on material accounts concerned.

13.8.8 After the works abstracts of the month have been checked, the total charges on each work should be agreed with the total of the relevant schedule dockets, and it should then be seen that the works abstracts have been posted correctly into the register of works and that all entries in the later were reviewed by the Divisional Officer at the proper time.

13.8.9 Besides the checks mentioned in the preceding paras, the vouchers of the accounts of selected month which are not checked in the central office in the scheme of

relaxation should be examined at the time of local inspection in respect of the points which are not checked in the course of relaxed audit.

13.9 Points to be seen in Analysis of the Accounts of the Selected Major and or Minor Works

13.9.1 The estimates of the works concerned should be examined to see that they have been correctly prepared with reference to the Standard Data and Schedule of Rates, that they do not contain any unusual items, and that they have received the sanction of competent authority.

(Govt Memo No. 2582-7/66-27, dated 12-02-1969)

13.9.2 In respect of works costing more than Rs.10 lakhs, the site has been inspected by the Chief Engineer before the technical sanction is accorded by him.

13.9.3 In cases of excess over estimates, the reasons for the excess should be ascertained and commented upon whenever necessary. It should also be seen that works are executed as per

plans and that deviation, if any do not lead to loss or extra expenditure to Government.

13.9.4 In respect of irrigation works, where earth work is involved, it should be seen that where sanctions to extra items are received in Central Audit, they are really beyond the scope of original contract.

13.9.5 In case the contractor's rates vary abnormally for any one item it should be seen that the contractor does not make any unintended profit by that. For example, if his rates are very low when compared with the estimated rates for any item it should be seen that the item was actually executed. If his rates are abnormally high it should be seen whether the contractor was entrusted with extra quantities of work under this item. If the contractor's rates for any particular portion of work attract special attention, that portion should be seen in greater depth. For example, if his rates for vibrated concrete work are absurdly low, it should be examined how he did vibration and if it is with departmental vibrators whether hire charges have been recovered correctly and how the recovery compares with estimated provisions, etc.

13.9.6 In respect of building works, if plastering to ceiling is required for architectural finish of the R.C.C slab, the necessity should be decided at the time of the preparation of the estimate and technical sanction. Before making the provision in the

estimate the Executive Engineer should satisfy the necessity as to what room needs the architectural plastering.

13.9.7 From the works abstracts of the work/works, the details of the expenditure such as cash book vouchers, transfer entry orders, stock transactions should be gathered and these should be traced into the measurement books to verify the quantities of work done for purposes of comparing the quantities of work done with the estimated provisions and checking the sub-head-wise postings in the works abstracts and the work register. It should be specially examined whether savings due to abandonment or otherwise have not been utilised for additional or unauthorised items of work and whether there have been any material alterations or modifications in the sanctioned design, without the sanction of competent authority.

13.9.8 In respect of canal works, where the earth work excavation is considerable, it should be seen that the payment is made on the basis of pit measurements or level measurements whichever is less. In respect of masonry works, earth dams, etc., the exact method of measurement should be prescribed in each agreement.

(G.O.Ms.No.1705 P.W.D., dated 22nd November, 1968).

13.9.9 All payments to contractors should be specially examined with reference to the contracts and it should be seen that there are no items paid, which are not provided in the contracts, that there are no concessions given to the contractors which are outside the scope of the contract and that all dues towards cost of materials issued or hire charges of tools and plant are promptly recovered from the contractors. It should also be seen that there are no abnormal variations in quantities executed as compared with the quantities shown in the agreements and that such abnormalities, if any, do not lead to any undue advantage to the contractors. In the case of L.S. contracts, it should be seen whether the penal clauses contemplated in A.P.S.S are imposed in cases of failure of the contractors to complete the work. If the contractor is lent any departmental tools and plant, the quantity of work so executed should be correlated with hire charges to ensure that there is no unintended profit to the contractor, by under recovery of hire charges.

If the contract conditions stipulated that the contractor will meet crew charges, it should be seen that he so meets and that there are no abnormal repairs, etc., due to contractor's labour handling the tools and plant. The recording of measurements should be studied intelligently. It should be examined whether measurement for each item of work is recorded and check-measured. These entries should be correlated with fortnightly progress reports and other tour journals of Section Officer/Dy. Executive Engineers. It should also be seen that there are no

oddities like recording measurements for metal supply for consolidations, etc. A scrutiny of log book of the rollers with the date of measurements may yield unexpected results.

13.9.10 The materials-at-site accounts should be examined to see that materials obtained for the work either for direct use or for issue to the contractors are correctly accounted for and not far in excess of the immediate requirements, that the issues to the work whether direct or through contractors are correct as per estimated requirements for the quantity of work done with

reference to data. It should be seen that unused balances of materials-at-site have been verified

as required in paras 337 to 342 of A.P.W.D.Code.

13.9.11(xi) The site inspection notes of Superintending Engineer, Chief Engineer should be particularly called for and studied. They will contain cause to various omissions/commissions. In case they have suggested any deviations, it has to be seen how far such deviations could have been anticipated and what is their financial implication. Similarly the work files, audit slips of Divisional Accounts Officer on the bills, etc., should also be studied for useful information.

13.9.12 An attempt should be made to see how far the work proved to be productive. If it is building work it should be seen when it was occupied, whether there was any delay, and if the delay in completing the work had contributed to avoidable expenditure, whether penal action was

initiated against contractor, etc. If it is a bridge work or road work it should be seen when it was

thrown open to traffic, etc. In case of irrigation schemes a comparison of the developed ayacut,

revenue realised, etc., with estimated provisions should be made.

13.9.13 **Revised Estimates:-** The various irregularities leading to the revision of estimates are detailed in Govt Memo No; 1348-7/68-4 dated 24th November, 1970 (**Vide Annexure VII**). It should be seen that these irregularities are not committed by the Division.

13.9.14 Besides the above, the following points would deserve the special attention of the Inspecting Officer. It should be seen that:-

a) Boulders are paid on pre-measurements and rocks are paid on pre-measurements by taking net levels as ordered in G.O.Ms.No.467 Public Works (t-1) Dept, dated 3-4-1972. Where

considerable earth work is involved measurements should be on the basis of the levels and also

pit measurements and the lesser of the two measurements should be adopted.

Note: 1. Considerable earth work for the purpose of recording levels for final payment for earth work means, earth work for main canals and branch canals of more than 500 cum. The procedure indicated applies to embankment as well as cuttings.

2. Measurements shall be taken by levels for earth work involving silt clearance in canals and construction or restoration of tank bunds.

3. When final payment for earth work are to be made on the basis of levels or pit measurements whichever is less, intermediate payment can be made on the basis of tape measurements according to the convenience of work in the field.

(Govt. Memo No.48/Coord/80-1 Irrigation & Power (P.W) Depart. dated 22-01-1980)

(b) no payment is made for excavation in rock beyond the pay line and in the case of excavation beyond the tolerance limit, suitable recoveries are effected from the contractors,

(c) in the case of banking, payment is made for the finished banks formed after giving due

allowance for shrinkage and not based on borrow pit measurements.

(d) In cases where lead is allowed for stone such as for masonry and revetment works and if

stone is finally obtained from the canal spoil, the savings to the contractors by way of lead besides the cost of stone are recovered from them,

(e) In the case of dry rubble packing, involving used stone and new stone, the stack measurements are recorded for the used stone and that payments are made based on the quantity

stacked for the purpose of laying;

(f) Separate measurements are recorded for the banking done with bed cutting soils and borrow

earth,

(g) The extra leads and lifts are calculated in accordance with the procedure laid down in the conditions of the agreement, and

(h) variation in classification of soils is reported to Government, as soon as it is noticed by a telegram followed by a detailed report indicating the reaches, and quantities and reasons for variations etc.

13.9.15 Provision of average leads in the estimates for conveyance of soils from external borrow areas and adoption of the same wording in the tenders, agreements and Measurement Books should be objected to when Schedule of Rates provides for actual leads only. The agreements and Measurement Books also should adopt the same wording. Inspecting parties should examine whether correct procedure is followed by the Divisions. (Circular No.114 dated:15-05-1980/15.3)

13.9.16 While scrutinising the estimates it should be seen that the provision for petty supervision and contingent charges should be as follows:

1. Estimates up to Rs.10,000 5%
2. Estimates from Rs.10,000 to Rs. 1 lakh 4% subject to a minimum of Rs.500
3. Estimates above Rs. 1 lakh to Rs.100 lakhs 3% subject to a minimum of Rs.4000
4. Estimates above Rs. 100 lakhs 2.5% subject to a minimum of Rs. 3 lakhs

The provision for contingencies shall not be diverted to any new work or repair which is not provided for in the estimate and the cost of which exceeds Rs.2,500 without the sanction of

the Superintending Engineer. The provision for petty supervision is no case be diverted to meet

expenditure on other items of work. (Para 117 of APWD Code)

13.9.17 Regarding allowance towards shrinkage, wastage, compaction, swell factor etc in earthwork embankment formation, a decision was taken by the Board of Chief Engineers sent to all Superintending Engineers in Circular No.93/25-90-II dated:8-9-1980 15-13/II/P.28 to allow prescribed percentages. While making payment for the quantity shrinkage has to be deducted from the computed rolled bank measurements and quantity and payment restricted to net quantity only. If necessary, the Suptd. Engineers may incorporate an additional amplification in the tender

schedules to the effect that payment for earth work embankments consolidated to proctor's density, will be for net quantity of earth work after deducting the quantity towards shrinkage from the rolled quantity compacted in the consolidated fund which should include allowance for shrinkage as per tender schedules.

(Circular No.5737/63342/76 dated 20-01-1977 of CAE, IMP (Irrigation)).

13.9.18 As per special specifications attached to the agreements related to the original formation,

improvements and special repairs to roads as laid down in the Highways Manual, if the water

bound macadam (WBM) surface is to be surface dressed immediately with Bituminous precoated chips, only dry rolling is to be done on the top layers of WBM before laying Bituminous surface. Collection and spreading gravel and consolidation should be omitted in such cases. The Chief Engineer (R&B) in his letter No. 105560/T6/TA2/76-3 dated 3-5-1979 has accepted this position. The Inspecting Officers should include comments on expenditure incurred in respect of such works in I.Rs indicating the expenditure incurred and further commitments (IR Cell III/15-16/559 dated 15.11.1979).

13.9.19 For all items of work the quoted rates of which are high, intermediate payments will be made provisionally at the estimate rates plus or minus over all tender percentage. The rate quoted by the contractor should be considered high if it is more than estimate rate plus 15 percent or the estimate rate plus over all tender percentage whichever is higher. Necessary provision to regulate intermediate payments should be made as one of the terms of the contract. To ensure this, the tender accepting authority should specify the items of work of which the rates are considered to be high and the intermediate payments should be regulated according to this

clause. The I.Os should verify the incorporation of suitable clause in the agreement and its enforcement. Failure to enforce the orders should be commented in the Report. Procedure laid

down in Chapter 5 in respect of audit of tenders, agreements, nomination works *mutatis mutandis* apply for local audit.

(WMCA/15-44/19 dated 20-05-1978).

13.9.20 For earth work excavation pre-measurements and stack measurements of fissured rock should be taken to arrive at the quantity to be paid for. It should be seen whether in all cases the premeasured quantity is less than the stacked quantity. (I.R.Cell III 2-48/80-81/2 dated 25-09-1980)

13.9.21 When a drainage division is inspected the following point may be seen: If cross bunding for all works taken up in a particular reach during a working season is done at the two extreme ends of the reach, it should be objected to. If all the works are not completed during the season either due to the delay on the part of the contractor or due to organisational lapses the expenditure on cross bunding and dewatering are to be regarded as infructuous or wasteful for, at the end of the season the bunds have to be removed to allow the drains to function in normal way during the rest of the year and reconstructed at the beginning of the next working season, similar delays may be examined and necessary comments included in the I.R.

(IR Cell/15-16/74-75/8 dated 6-8-1975)

13.9.22 Excess issue of cement over theoretical requirements:-

The I.Os may examine the initial records in respect of all important major works involving large scale use of cement in each division with particular emphasis on -

- i) Issue of cement in excess over the theoretical requirement even though 100% surcharge is collected.
- ii) Issue of cement to works whose executors have returned and cases where cement is shown as issued to works without being utilised immediately and is shown as utilised subsequently in the same or other works.
- iii) Substandard work due to less use of cement/due to use of inferior quality of cement though the cement is supplied to the contractor as per theoretical requirements. The information may be available in the quality control report or the inspection report of the Suptd. Engineer or Chief Engineer. The result of the examination and review may be sent in a special report supported by full particulars as indicated below:

(a) Name of the work (b) details of technical sanction estimate/revised estimate (c) Name of the contractor, Agreement No. and amount (d) period of contract (e) date of commencement of work, handing over of site etc., (f) issue rate of cement as per agreement (g) theoretical requirement of cement for the work (h) cement issued to the contractor showing year, quantity, theoretical requirement, excess issue, utilisation particulars, closing balance in MAS accounts, disposal thereof, (i) losses of cement on account of theft clotting etc., in MAS accounts (j) any other point. (IR Cell II/15-4/80-81/ dated 10/80).

13.10 Schedule of Rates:-

13.10.1 It should be seen that (i) there is an up to date Schedule of Rates sanctioned by the Superintending Engineer (ii) that it is supported by detailed data and (iii) that the rates paid in the month of test audit in the bills not covered by agreements, do not exceed the Schedule of Rates. (Paras 113 to 116 of A.P.W.D Code)

13.10.2 The Superintending Engineer (R&B) Hqrs Circle Hyderabad is approving the Schedule of Rates for electrical works every year. The I.Os should scrutinise the estimates for electrical works with reference to the latest Schedule of Rates for those works and not with reference to old SSRs. (WMC/A/15-261/12 dated 8-5-1979)

Note: (i) An intelligent test audit of the rates paid in the division with reference to authorised Schedule of Rates and comparative examination of the latter (Schedule of Rates) in accordance with the instruction laid down in para 2.2.46(2) and 6.1.2 of M.S.O (Audit) should also be made to see whether the arrangement is satisfactory as to secure economical results.

Note: (ii) certain number of items of through rates allowed by the Executive Engineer to the contractors should be analysed to see that the component rates of which the through rates is made

up are not in excess of basic Schedule of Rates.

13.10.3 Muster Rolls:- There should be no recruitment of NMR workers. (G.O.Ms.No.287 IRR & CAD (Ser.V) Dept. 7-9-1987).

13.10.4 Road Metal Returns: - It should be seen

(i) That unused balances of road metal should be verified at least once a year and when an officer responsible for the balance of road metal is transferred reports of verification are sent to the Divisional Officer (Local Ruling 22 under Article 92 of Andhra Pradesh Account Code, Vol III);

(ii) That the procedure indicated in paragraph 243 of APWA Code is followed for surpluses and deficits in road metal;

(iii) That an account in Form PWA IV is maintained for several collection also (Vide G.O.No.1140-W dated 15th October, 1909);

(iv) That the receipts and issues of road metal, gravel, etc., for the test-audit month are checked with reference to the vouchers; and

(v) That cases of non-submission of road metal statements or long delays in their submission to the division office are noticed and action taken (Local Ruling 21 under Article 92 and Local

Ruling I under Article 205 of Andhra Pradesh Account Code, Volume-III).

13.10.5 Measurement Books:- It should be seen

(i) That they are properly accounted for in the Register of Measurement Books;

(ii) That books outstanding for two years from the date of issue are duly called for records in

Divisional Office; (L.R 2 under Article 123 and 124 of A.P. Account Code, Vol.III);

(iii) That sanction of the Suptd. Engineer is forthcoming for missing measurement books (note under para 296 of A.P.P.W.D Code);

(iv) That the stock of unused measurement books agrees with the book balance;

(v) That the fact of destruction of measurement books of over ten years is recorded in the Register of Measurement Books;

(vi) That measurement books are generally reviewed to see that the entries are made in accordance with the instructions on the fly-leaf of the measurement books and the Articles 123

and 124 of Account Code Volume-III and that no entries are made by officers other than those

empowered to do so under L.R 3 *ibid*;

(vii) That acknowledgements are taken from responsible persons whenever measurement books change hands (Note 2 under para 292 of A.P.P.W.D Code);

(viii) That remarks made by the Sub-Divisional Officer or the Executive Engineer and Corrections in rates made after check-measurements do not indicate that irregular and incorrect

measurements, worthy of serious consideration have been made;

(Rule 1 under para 306 of A.P.W.A Code);

(ix) That works liable to submersion such as closing breaches, clearing silt and brush wood

filling in river margin, are check-measured in time by Sub-Divisional Officers and that reasons

in exceptional cases are given concisely and clearly in the remarks column of the

measurement

book by the Sub-Divisional Officer; (Para 297 of A.P.W.A Code);

(x) That the dates of measurements of any outstation works are correctly traceable in the progress reports and travelling allowance bills of the officials concerned;

(xi) That by comparing the date of measurement with the date of payment, inevitable payments are not postponed at the end of the year with a view to avoiding excess over appropriation;

(xii) That 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 297(f) of A.P.W.A Code);

(xiii) That check-measurements are conducted with discretion and method and that the items of

work easily susceptible of fraud or which would most seriously affect the total amount of the bill, if inaccurate, are selected for check-measurement;

(Para 294(4) of A.P.W.A Code);

(xiv) That measurements and check-measurements are recorded and signed by the senior officer when measurements are taken jointly by two or more officers;

(Para 297 (5) of A.P.W.A Code);

(xv) That the pages containing detailed measurements are scored out by a diagonal line in red

ink and that the abstract of measurements bears a reference to the No. and date of vouchers of payments; and

(xvi) That record of check-measurements by the Dy. Executive Engineer and Executive Engineer is noted in the index at the end of the measurement book and percentage of check measurement is worked out as may have been directed by the Chief Engineer.

Note:- 1. Where excess measurements taken in the first instance by subordinates are subsequently reduced by the Sub-Divisional Officers on check-measurement, the validity of such reductions should not be questioned unless the difference are important and indicate more or less deliberate excess measurement as against genuine mistakes. If, however, the same contractors work has been persistently short/excess - measured, this should specially be brought to notice.

Note:- 2. In the large size measurement books, when used for heavy irrigation construction works, pages, if desired can be reserved for different reaches.

13.10.6 ***Loss of Measurement Books:-***The Inspecting Officer should investigate cases of

measurement books lost since the last inspection and report the result of his investigation to the

central office with comments as regards:-

(a) Adequacy of the action taken against the person responsible for the loss in case it was not merely accidental.

(b) Adequacy of the measures adopted to ensure that works entered in the lost measurement book

and already paid for, are not paid a second time.

13.10.7 In the case of lost measurement books, it should be seen:-

(i) that the Dy. Executive Engineer has prepared a list of all claims, for works or supplies in the

locality concerned which are then outstanding;

(ii) that the list is verified by him by reference to bill book or bills and office copies of bills,

works abstracts, petty vouchers, muster rolls or cash book to ascertain that none of the claims entered therein have already been paid for;

(iii) that a certificate to this effect has been recorded by the Dy.Executive Engineer on the list;

and

(iv) that after the above verification the works not paid for have been re-measured and entered in

a fresh measurement book for payment as usual.

13.10.8 Inspecting Officers must understand clearly that superior authorities can never take action against individual officers on remarks in an inspection report which are expressed in general terms. Thus when the reports merely state that certain classes of mistakes are common in the measurement books of a certain division and give no concrete instances, this can only be

regarded as a warning that these mistakes should not be committed in future and one cannot expect superior authorities to do more than to reiterate that warning. In these cases, however, the

comments in the inspection report certainly give the impression that the work of measurements

and check-measurements and of recording the results was being very badly done. If that impression be correct, a mere warning in these cases would have been insufficient, and the Inspecting Officer should have investigated the matter much more thoroughly, should have brought out more precisely the degree of neglect and should have quoted numerous instances.

It

would then have been possible to press for definite action against individuals. The entries in a measurement book must be so reliable as to be accepted as evidence in a Court of Law.

Moreover, serious frauds may be cloaked by the manipulation of entries in a measurement book.

Such manipulation is easily capable of detection if a measurement book is properly checked.

Finally the entries in a measurement book constitute the basis of all payments and, therefore,

they must be made with due attention to rules. These results are quite unattainable if, as in these cases, there are unattested corrections, pages not crossed off and left blank, corrections made by overwriting, contractor's signatures are not taken in token of acceptance of measurements, details of measurements not recorded and no evidence of check-measurements by Sub-Divisional Officers. It is because the grave results of these irregularities, some of which are apparently trivial, are so frequently overlooked, that it is incumbent upon Inspecting Officers, when they come across serious cases of neglect of the rules regarding measurements and their record in the measurement books, to investigate them very carefully and to report in such a way as to make the degree of the irregularity, apparent.

13.10.9 Register of Review of Measurement Books by Divisional Accounts Officer:- It should be seen in audit:-

- (i) that there is a uniform flow of books to the Divisional office for review;
- (ii) that all the books in use in a sub-division in a year are entered in the Register for the year;
- (iii) that due dates have been fixed by the Executive Engineer for receipt and return of measurement books;
- (iv) that all the books in use have been subjected to a 25 per cent check;
- (v) that the results of check are properly conveyed through audit memoranda; and
- (vi) that a register is maintained in the sub-divisional office also for noting the progress of receipt, review and return of measurement books.

13.10.10 Contractor's Ledger:-It should be seen

- (i) that adequate reasons exist for delay in adjusting secured advances outstanding over six months;(In this State there is no system of making secured advance at present.);
- (ii) that action has been taken in the case of old outstanding accounts for the submission of subsequent running bills in column 9 of the ledger (Vide Form P.W.A 14 and Article 150 of Account Code, Vol.III);

(iii) that the Divisional Accounts Officer has effected agreement month by month between the balances detailed in the works abstracts and the corresponding balances of the accounts in the

ledgers (L.R under Article 153 of Account Code, Vol.III); and

(iv) that 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 abstracts of stock issues (Article 152 of Account Code, Vol.III).

13.10.11 Register of Contractor's Bills:- It should be seen

(i) that it is reviewed by the Divisional Officer at frequent intervals;

(ii) that there are no undue delays in the disposal of the bills;

(iii) that every bill received in the divisional office for pre-audit is accompanied by measurement

books concerned and is systematically checked by the Divisional Accounts Officer along with

the agreement,

(L.R 10 (a) under Article 125 of Account Code, Vol.III);

(iv) that payment for bills for work done is not delayed for want of approved agreement, sanction to the revised estimate or workslip or similar reasons;

(Para 289 of A.P.W.A Code);

(v) that a tabular statement showing the maximum intervals permissible at the several stages between the measurement of a work and the payment of the bill, as fixed by the Superintending

Engineer is hung in the room of Divisional Accounts Officer for his reference and compliance of

the order, (Para 289 of A.P.W.A Code); and

(vi) that the limits prescribed for the payment of bills without pre-audit in the divisional office is

observed at the sub-divisional office without neglect (Para 286 of A.P.W.A Code);

(vii) Check against double payment:- See that

(a) the rates in bills are duly checked in the divisional office with work orders and agreements under the supervision of the Divisional Accounts officer.

(b) a note of all payments whether running or final is recorded on the copy of the work order or

agreement in the divisional office.

(c) a note of all payments whether running or final is made on the sub-divisional copy of the work order.

13.10.12 Works Accounts:- The points to be generally looked into in the examination of these

accounts are enumerated in para 44 of the Memorandum of Secret Instructions regarding Extent

of Audit. In addition to these, the following should also receive attention from the higher audit

point of view;

(i) Exgratia payments to contractors for importing labour, for rapid execution of works, for damages sustained by floods or fire, etc.,

(ii) Compensation to contractors for delay in starting a work or its abandonment, or for variation

from the estimate;

(iii) Payments for clearance of site, water required for construction when these are not specifically provided in the contract; and

(iv) Any extraordinary charges to works.

The amount shown in the register of works under the sub-head "Suspense Accounts" relating to

contractors and labourers should be analysed to trace out the details:-

(a) in the work abstracts concerned and the contractor's ledger as regards arrears due to or from contractors.

(b) in the work abstracts, muster rolls, acquittance rolls and the connected record of unpaid wages of labourers and work-charged establishment as regards balances shown under the suspense column "Labourers".

13.10.13 Works Abstracts:- It should be seen

(i) that the balances under the suspense accounts "Contractors" and "Labourers" have been verified by the Divisional Accounts Officer and Sub-Divisional Officer, respectively and that, in

the cases test-checked, they agree with the balances shown in the contractor's ledger and in the

record of unpaid wages (vide Article 140 of Andhra Pradesh Account Code, Vol.III);

(ii) that progress is recorded (except where dispensed with by the Divisional Officer under Local Ruling 4(b) under Article 135 of Andhra Pradesh Account Code, Volume III) from the details furnished by authorised executive officials incharge of the work and not compiled from measurement books or vouchers, etc., by members of the office establishment

(Paragraph 365 of A.P.W.A. Code);

(iii) that in respect of jobs undertaken by workshops of other divisions or department, the suspense head “workshops liabilities” if permitted to be opened with a view to watching the receipt of articles for which debits are raised under Article 176 of Andhra Pradesh Account Code, Vol.III, is cleared from time to time on receipt of the articles;

(C.A.G`s Lr.No.1749-Admn.613-27 dt.6th December, 1927).

(iv) that a special sub-head is opened for noting the receipts or recoveries of expenditure in an

estimate under Article 135 (c) of the AP Account Code Vol.III and that there is evidence that all

marked deviations from the estimated provisions for such credits are investigated under paragraph 547 of A.P.W.A Code;

(v) that no advance or 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 in Local Ruling 16 under Article 125 of the Andhra Pradesh Account Code, Vol.III,and paragraphs 356 and 357 of the A.P.W.A. Code; and

(vi) that works abstracts of the month selected for test-audit are compared with the postings in

the register of works, in order to see that they tally in all respects,and with the schedule of works

expenditure for that month.

13.10.14 Materials-at-site Accounts: - It should be seen that

(i) the accounts are maintained in Forms No. P.W.A XXV to XXIX of Andhra Pradesh Account Code, Vol.III;

(ii) the receipts of materials agree with those recorded in the measurement book, summary of stock issues and transfer entries concerned;

(iii) the issues on works agree with the unstamped receipts of the contractors;

(iv) the Annual Register is maintained in (Para 322 of A.P.W.A Code);

(v) the balances do not represent purchase in advance of requirements or fictitious adjustments;

(vi) the unused balances of materials are verified at least once a year and a report of verification prepared by the Sub-Divisional Officer in the form prescribed (Para 337 of A.P.W.A Code and para 325 of A.P.W.D Code);

(vii) before the work is completed the surplus materials at site are disposed of in the manner prescribed in paras 338 and 339 of A.P.W.A Code; and

(viii) the annual report of the value of materials-at-site is prepared in the form prescribed (Para 341 of A.P.W.A Code) and is dealt with by the Divisional Office in the manner laid down in para 342 of A.P.W.A Code.

13.10.15 Storage of cement

American, Spanish & German experiments have shown that on an average the strength of cement stored in bags is reduced as shown below.

After 3 months by 15 to 20%

After 6 months by 20 to 30%

After 12 months by 30 to 40%

After 2 years by 40 to 50%

After 4.5 years by 50 to 60% (Extract of tender conditions)

13.10.16 Register of works:- In addition to the checks prescribed in the Memorandum of Secret Instructions regarding Extent of Audit, it should be seen-

(i) that there is evidence to show that delay in closing accounts, in measuring work done or in settling up bills are enquired into by the use of periodical lists of works on which there has been no outlay consecutively for 3 months in the printed form prescribed for the purpose (Local

Ruling 2 under Article 142 of Andhra Pradesh Account Code, Vol.III)

(ii) that the completion reports are submitted in all cases where required under Local Ruling under Article 148 of Andhra Pradesh Account Code, Vol.III;

(iii) that separate columns have been opened for “Materials-at-site”, “Advance payments to contractors”, „Other transactions of contractors”, “Unpaid wages of labourers” and “Advances to workmen” and other suspense accounts detailed in Article 136 of Andhra Pradesh Account Code,

Vol.III;

(iv) that in cases of probability of excess of actuals over estimated cost of work, workslips in the prescribed form are submitted to the Superintending Engineer when necessary (Paragraph 36

of A.P.W.D Code and Local Ruling I under Article 142 of Andhra Pradesh Account Code, Vol.III;

(v) that a special sub-head is opened for the reception of any receipts or recoveries creditable to the account of a major work (Article 135 (c) of Andhra Pradesh Account Code, Vol.III);

(vi) that items of deviation from sanctioned estimates are entered as separate sub-heads though some of them may be below Rs.1,000;

(vii) that action prescribed in Article 149 of Andhra Pradesh Account Code, Vol.III, for correction of errors is taken wherever necessary; and

(viii). that no unprofitable expenditure has occurred due to abandonment of works.

Note:- Advances to Labourers:- In cases where advances to labourers are granted under paragraph 61 of A.P.W.D Code, it should be seen that a systematic record is kept showing the authority for each advance to labourers, the name of each person to whom advance is given, the amount advanced and the recoveries made each month and that there is no delay in recovering these advances.

13.10.17 The following additional checks should also be exercised in respect of the Register of Works:-

(a) checking of entries of estimates, etc., in the Register of Works.

(i) in the case of all works on which expenditure has been incurred without or in excess of the sanctioned estimates/allotments, etc.

(ii) in case of other works 25%.

(b) checking of progressive expenditure on individual works. The progressive expenditure and figures of sanctioned estimates, allotments, etc., in respect of individual works given in the

Half-yearly Comprehensive Schedule of Expenditure should be checked with the Register of Works to the following extent:

(i) in the case of September Schedule, 50%,

(ii) in the case of March Supplementary Schedules 100% and a para should be included in the Inspection Report mentioning the number of works and amounts involved outstanding under

various categories, of objections, viz.,

(i) want of technical estimates,

- (ii) excess over technical estimates,
- (iii) want of administrative approval and
- (iv) excess over administrative approval as shown in the schedule of works expenditure for the aforesaid months.

13.11 Other Registers/Records to be seen in audit:-

13.11.1 Register of Rents of Buildings and Lands:-It should be seen

- (i) that the Register is kept in Form PWA XIII and corrected up to-date (Para 280 of APWA Code).
- (ii) that the value of the land is shown therein separately from that of the building or buildings thereon and that the value of the each separate structure is shown separately; (Para 261 of A.P.W.D Code) and
- (iii) that the addition and alterations to each building are duly noted in the register.

The certificate furnished by the Divisional Officer should be test-checked during the course of check of rent records of one selected month.

Note:- The checks contemplated above should be applied to the Register of Component parts in respect of Irrigation Department, the Register of Bridges in respect of Roads and Buildings Department and the Register of Lands acquired for the Public Works Department, maintained by the Public Works Divisions in terms of G.O.Ms.No.913, Public Works (Y) Department, dated 21st June, 1972.

- (iv) that prescribed rents are recovered in all cases excepting when accommodation is allowed rent-free or at reduced rates under the special orders of a competent authority;
- (v) that no building or site is removed from the register on the plea that it is intended to be occupied rent-free;
- (vi) that necessary addition to the list of rentable buildings are made in the register as and when new properties are acquired and that action to revise the standard rent is taken as addition and improvements are made to any building and for this purpose a comparison should be made with the Register of Buildings and Lands; and
- (vii) that action has been taken to revise the rent of buildings.

13.11.2 Register of check measurements by Executive Engineer

It should be seen

- (i) that a register of check measurement by Executive Engineer is maintained in the Divisional Office. The minimum number of check measurements to be carried out in a year by the Divisional Officer in charge of construction/maintenance divisions has been fixed as

36. However, the minimum no. of check measurements to be made in a year by the Executive Engineer in charge of Investigation as well as Investigation & Designs Division has been fixed as 12. Purely designs divisions are exempted along with quality control and Inspection Divisions from the operation of this rule.(WMC/A/15-14/125 dt.30.3.1979)

(ii) Executive Engineers in charge of regular Divisions and special divisions should check measure at least once all individual works costing Rs. 1 lakh and above. The check measurement

of Executive Engineer should cover at least 30% of the total expenditure incurred.

(iii) Superintending Engineers should check measure all works costing Rs.10 lakhs and above once before final payment is made irrespective of whether the work is of a major/medium/minor

irrigation project. These orders are also applicable to all regular circles in the Irrigation department besides project circles.

(G.O.Ms.No.389 I&CAD(PW) dt.30-08-1990 and 390 I&CAD(PW) Deptt., dt.30-08-1990)

(iv) 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 up the

number to the bare minimum. (CEs Memo 1490/AC 29/CP dt. 6.1.1930.)

Note:- (i) Whatever period of 12 months is taken into consideration (i.e., a calendar year or a financial year or the period between the dates of inspection of accounts in two consecutive years, if it works out to one full year the number of check measurements by an Executive Engineer should be at least 36 during that period).

Note:- (ii) Inspecting Officers should mention in the Inspection Reports only cases where the No. of check measurements during a year falls short of the minimum prescribed. This item of check should be done by the Inspecting Officer personally.

13.11.3 Register of watching recoveries due from riots on account of Kudimaramath works and

repairs done to Railway affecting tanks under the Railway Protection Act:- It should be seen -

(i) that a register is maintained in accordance with paragraph 484 of A.P.W.A. Code and all recoveries due are entered in the same; and

(ii) that the register is submitted once a month to the Executive Engineer for inspection and issue of necessary instructions regarding recoveries of amounts overdue after the completion of the work.

13.11.4 Register of Miscellaneous Properties:-

A register of all Government properties yielding produce available for sale or lease should be maintained in all divisions of the Irrigation Department. The register should be examined to see

that all fruit gardens belonging to the division are actually borne on the Register of Properties yielding produce available for sale or lease and that they, as well as all grazing areas on canal banks except those reaches where plantations have to be preserved from cattle are regularly leased out and that the revenue derived from them is promptly recovered and accounted for.

A

comparison of the amount realised during the year under review with that of previous year might

with advantage be made with a view to seeing whether the revenue from this source is increasing

or decreasing.

Note:- A distinction obviously exists between an orchard and a few fruit trees planted in a rest house compound, and the decision as to what is or is not an orchard lies with the Superintending Engineer.

13.11.5 Register of Special Recoveries: - It should be seen that -

(i) the register is maintained for watching recoveries ordered from a contractor or other person

which cannot be watched through a suspense or other account (Miscellaneous Local Ruling under Article 116 of Andhra Pradesh Account Code, Vol.III);

(ii) in the case of works, the accounts of which are not kept by sub-heads, the credits anticipated in the estimates for works, are posted in the register immediately on receipt of sanctions to

estimates and the realisation of each item is carefully watched (Rule 1 under paragraph 547 of A.P.W.A Code); and

(iii) there is evidence on record of all marked deviations from the provision for credits in the estimates of works having been duly investigated.

13.11.6: Transfer Entries: - All transfer entries involving the rectification of errors should be

examined to see that they do not indicate any defect in the system of accounting or any of the following irregularities:

(1) Expenditure is deliberately charged to a wrong estimate, because the correct estimate has not been sanctioned.

(2) Materials are issued unnecessarily to works merely to utilise grant and are retransferred to stock later on.

(3) To hide excess over estimate.

(4) To conceal the fact that certain materials have been too long lying at the site of a work without being used. Transfer entries of March Supplementary should be scrutinised with special care.

13.11.7 Register of Plant and Machinery:-

It should be seen whether for the purpose of working out depreciation charges, etc., the Register of Plant and Machinery is properly maintained with full particulars of cost, make, life and rate per hour.

13.11.8 Accounts of Motor Lorries, other heavy Machinery, trucks, tractors, and launches, etc., used for works or touring purposes:-

In order to exercise control over the working of motor vehicles, etc., for carriage of materials for works or otherwise under the rules, suitable accounts and log books should be maintained for them. In the examination of these accounts, among other points, it should be particularly seen that the consumption of stores purchases and replacement of parts and other maintenance charges are reasonable and recorded in the relevant parts of the log books and the recoveries in connection with them wherever necessary are correctly made and in accordance with the rules.

13.11.9 Visitors Book for Dak Bungalows:- It should be seen that rules are being followed and

revenue collected has been accounted for in the divisional accounts.

(Also please see para 13.5.15 supra)

13.11.10 Register of Hire Charges:- It should be seen that

(i) the register is maintained in the proper forms;

(ii) separate folios are set apart for each vehicle and the receipt of log extracts of each is watched properly;

(iii) the idle period of the vehicle is clearly indicated;

(iv) the hire charges are adjusted on the basis of log extracts received and reference to the Schedule Docket No./Transfer Entry No. and the month of account is given in respect of the

vehicles; and

(v) where proforma accounts of heavy tools and plant are maintained, the receipts realised on account of hire charges as per the proforma account agree with the figures in the register; and

13.11.11 Non-recovery or delayed recovery of Hire charges

The Inspection parties should conduct a review of initial records of the divisions, viz., Register of Hire charges, log extracts, daily log sheets, proforma accounts of heavy T&P etc. It has to be seen whether the hire charges are debited to contractor's accounts by credit to revenue promptly and recoveries are effected without delay. The results of review should be included in the inspection report. If rates other than the approved rates of hire charges were adopted the fact

must be commented. (WMD/A/15-16/79-80/69 dt.27.11.1969).

13.11.12 Proforma accounts of Heavy Tools and Plant:- The divisions are required to prepare

proforma accounts of heavy tools and plant to find out whether the machine/vehicle is working

economically or not. While checking these accounts, it should be seen that -

- (i) history sheets for each machinery/vehicle are maintained;
- (ii) the operation charges on the machinery/vehicle agree with the expenditure on the maintenance of the vehicle as per the Register of Works;
- (iii) the receipts on account of hire charges are properly worked out and they agree with the figures in the Register of Hire Charges;
- (iv) where the machinery is transferred from one division to another division, during the course of the year, the expenditure already incurred on its maintenance and the receipts already realised are taken into account while preparing the proforma accounts;
- (v) there is no abnormal loss in the working of the machine;
- (vi) (a) in the case of recovery of hire charges for hire of lorries, power rollers and other heavy tools and plant, the daily log sheets are maintained properly and that all the particulars are furnished therein;
- (b) the entries in the fortnightly log reports are checked with the daily log sheets so as to see that the particulars available in the log sheets are correctly noted in the fortnightly log reports;
- (c) the amounts of hire charges are correctly worked out and assessed as per rules and conditions in respect of tools and plant lent to contractors.

(d) the hire charges are debited to contractor's account by credit to revenue so as to watch the recoveries effectively;

(e) the working expenses of the tools and plant are debited to the maintenance estimates of the

tools and plant or heavy machinery;

(CE's (H) Circular Memo No. 17072-B.1/52, H.P., dated 4th September, 1951).

13.11.13 Bills for the payment of petrol. It should be seen that

(i) bills relating to the supply of petrol are invariably pre-audited in the Divisional Office concerned irrespective of the amount of bill; and

(ii) scrutiny of imprest accounts in the division office is done when in rare instances small quantity of petrol has to be purchased in out stations and paid from imprest.

(CAE(H) Proceedings No.160-F.2/46 H.P., dated 22nd February, 1947).

13.11.14 Tools and Plant Returns:-

It should be seen that:-

(i) there are no undue delays in the submission of sub-divisional returns to the Divisional Office (Monthly accounts of receipts and Issues-Forms PWA I&II and yearly Register of Tools and Plant form PWA III

(ii) the divisional and sub-divisional accounts of receipts and issues are posted up to date and that a few entries in these Accounts are traced into the annual return submitted to the Accountant General.

(iii) The divisional and sub-divisional registers in Form PWA III for the current year are posted up to date and

(iv) That all works abstracts for new supplies of tools and plant for the period of inspection and the relative vouchers not submitted to audit are scrutinised to ensure that all items of receipts are traceable in the monthly returns.

13.11.15 Check of Stock Accounts and tools and Plant Accounts by P.W.I.Ps. (Public Works Inspection Parties)

(i) Instances have come to notice where the P.W. Inspection parties have not been checking the stock and tools and Plant Accounts for want of production by the Division of the latest audited returns and comments are being included in the Inspection reports that the Stock/Tools and Plant Accounts could not be audited for certain years due to non-production of the audited returns. While it is certainly necessary for the parties to ascertain and place on record the reasons for such non-production of the latest audited returns for audit, it will not be correct to postpone audit of the subsequent returns till such time the latest audited returns in

question are produced by the Divisions. Such an approach will contribute only to add to the arrears in regard to audit of Stock and Tools and Plant Accounts unnecessarily. The postponement of the audit of the current returns will result in important and serious irregularities escaping the notice and also render

timely action by the Department difficult. The proper course in such cases would be to conduct the audit of these returns as usual subject to an observation that the 'opening balancé' could not be verified for want of the last audited return. This check may be conducted, when the required audited return is produced by the division to Audit.

(ii) The above instructions would apply *mutatis mutandis* even when the returns for some periods after the latest audited returns are not produced.

(iii) All the P.W.I.Ps are instructed to follow the above procedures without fail in future.

(iv) It may be incidentally mentioned that it should be the endeavour of the Inspecting Officers to prevail upon the Executive Engineers to produce all the returns due for audit and the latest audited return, unless there are justifiable reasons for such non-production. These reasons should be got recorded by the Executive Engineer and kept on the inspection files so that the IAU(W) Sections may promptly take up the matter with the Superintending Engineers/Chief Engineers concerned to arrange for production of the due returns to Audit during the subsequent Audit Inspections. (AGAP.II/I.R.Cell/Unit.I/15-16/78-79/261 dt 8.7.1978).

13.11.16 Register of Tools and Plant:-

(i) It should be seen that -

(a) in Part-I of the Register the articles are correctly grouped under the sub-heads prescribed in paragraph 226 of A.P.W.A. Code;

(b) in part-II, the entries are made separately for each contractor or other person to whom the articles are lent or sent out for repairs, etc.,

(c) if any shortages come to notice, they are brought out and dealt with in Part-III, instructions relating to which are given in paragraph 240 of A.P.W.A.Code;

(d) deficiencies and surpluses are dealt with in accordance with the orders in paragraph 240 of A.P.W.A.Code.

Note: - As submission to audit of monthly account of Tools and Plant Forms PWA I&II has been discontinued, local audit parties should prepare lists of tools and plant articles transferred by the division under inspection (during the month selected for test-audit) to other divisions and send the same to main office for being advised to the inspection party visiting the division to which such transfers are made during the next inspection, so that the latter

may, during the next inspection, check up that all the articles mentioned in the lists have been duly brought to account.

(ii) Besides the instructions in sub-para (I) above, the following points should also receive attention -

(a) to see that the previous audited register is found to be complete in all respects and that no entries in it have been tampered with;

(b) to check 10 per cent of the closing balances of the previous register as selected by the Inspecting Officer with the opening balance of the next register;

(c) to check one month's transaction in the year with the forms PWA I&II

(d) to see that the closing balances are correct;

(e) to see that there is a record of stock having been taken within the previous 12 months, by some responsible officials whose names and designations are specified;

(f) to see that there is a certificate by a responsible official not below the rank of a Sub-Divisional Officer, that the balances in Part-II actually represent articles lent or sent out for repairs; and

(g) to see that the shortages (if any) noted in Part-III are not large and that there is no undue delay in their adjustment.

After completing the checks, the necessary certificate of audit should be given on the Registers of Tools and Plant and signed by the Inspecting Officer.

13.11.17 *Deposit Register:- It should be seen that*

(i) reference to agreements of security deposits is quoted in the deposit register;

(ii) there are no avoidable delays in the adjustment of long standing items;

(iii) the deposit registers are properly maintained and correctly posted and reviewed by Divisional Accounts Officer/Executive Engineer, monthly;

(iv) Notings regarding refunds are duly made and attested by Divisional Accounts Officer/Executive Engineer to avoid double refunds; and

(v) balances tally with the schedule sent with monthly accounts.

The detailed check should be done in respect of one month in each half year.

13.11.18 *Register of Interest-bearing Securities:-* In addition to the checks prescribed in the Memorandum of Secret Instructions regarding Extent of Audit, it should be seen that -

(i) Saving Bank Pass Books are in the name of the depositors and hypothecated to the Divisional Officer; (Para 456 of A.P.W.A. Code);

(ii) they are sent to the post office as soon as possible after the 15th June to have the interest written up-to-date (Rule 1 under para 456 of A.P.W.A Code);

- (iii) security as determined by the Superintending Engineer in each case has been furnished by store clerks, cashiers and other officials, in charge of cash and stores (Para 303 of A.P.W.D Code);
- (iv) security deposits are covered by a proper bond of agreement setting forth the conditions under which the security is held and that reference to such agreement is given in the register; (Para 454 of A.P.W.A Code);
- (v) the post office savings bank pass books are kept in the custody of the officer to whom they are pledged;
- (vi) in the case of security recovered in instalments and deposited in the post office savings bank, no entries are made in respect of it in the register until the security has been fully paid up (Rule 1 under para 468 of A.P.W.A. Code)
- (vii) such recovery by instalments are watched through the Register of Recoveries (Para 546 of APWA Code);
- (viii) recoveries on account of security deposits of employees are made in cash when their pay is disbursed and credited in the cash book and then remitted into the post office;(Para 510 of A.P.W.A. Code);
- (ix) provisions of Rule 3 under para 468 of A.P.W.A Code have been observed when a subordinate who has furnished interest-bearing security has been transferred to another division or department;
- (x) cash deposits of subordinates and contractors are converted into interest-bearing securities (only at the cost of the depositor subject to the proviso in para 457 of A.P.W.A Code);
- (xi) Government promissory notes rendered as security is taken at its face value or market price whichever is less at the time of deposit and in the event of its subsequent appreciation or depreciation in value, a readjustment is made; (Article: 289 of A.P.F.C. Vol,I);
- (xii) the Post Office Five Years Cash Certificates are accepted as security for the amounts at which the certificates were purchased but not for their face value; and
- (xiii) where Government promissory notes are offered for acceptance as security against contracts, the Divisional Officers have exercised necessary precautions in the scrutiny of the bonds to satisfy themselves of the correct title of the owner and that the bonds are deposited in the District Treasury (Para 100 of Government Securities Manual (Govt. of A.P. Memo. No.73464/W&M/66-4, dated 23rd March, 1968 of the Finance Department).

13.11.19 Register of Purchases:- The register should be checked in respect of one selected month.

13.11.20 Register of Miscellaneous Works Advances:- The completeness of the list of items

outstanding for more than six months should be checked by examining the register.

13.11.21 A critical review of the balances under deposits, suspense and remittance heads is an issue which should be of great concern to audit. In this connection, the following instructions

are issued.

1. While auditing the transactions falling under the above heads, it should be ensured that
a) the unadjusted balances are correctly carried forward serially from month to month;
(b) that the balances correctly represent the bonafide assets and liabilities of Govt. capable of realisation or settlement and (c) that adequate action is taken by the concerned Divisional Officer

for such realisation or settlement.

2. Generally it should be seen that the account of these heads is so detailed that the clearance of

each distinct item can be watched independently. It should be seen that the balance relating to each individual item, work/job is kept distinct and correct and that the balances of several items

relating to each head of account make up the aggregate balance recorded under the head.

3. For the purposes of review of balances it should be seen that no item remains unadjusted over a reasonable time required for its clearance and that appropriate remark may be incorporated in

Test Audit Note appended to the I.R. Special cases may be suggested for being taken up with the

Divisional Officer or higher authorities.

4. The stock account Part-II "Detailed accounts of issue" should be examined in depth together

with part-I and it should be seen that the opening balance, receipts and total debits and the closing balance are correctly worked out. It may be ensured that there are no minus balances under any subheads except under storage. If there is any minus balance under any Subhead this

should be scrutinised carefully and a comment incorporated in the IR/TAN.

5. It must be seen during audit of the accounts of stock that acquisition of stores is made economically, the monetary limit of stock reserve was not exceeded. Fictitious stock adjustments

may be brought out from the register for bringing them to notice of the Govt. All losses due to depreciation of stores or other causes may be examined to see that they are supported by orders from competent authority.

6. While examining the Divisional suspense register relating to Misc. Works Advances a distinction should be made between items which represent regular transactions correctly pertaining to the head and items which indicate either a disregard of any financial rules, or losses, retrenchments and errors awaiting adjustment.

7. While scrutinising the deposit register, it should be seen that all conversion of deposits into interest bearing securities have been brought to account and that full details are available regarding the work to be done. It should be seen that return or retransfer of securities to depositors are supported with proper acknowledgement of depositors.

(D.O.Lr.557-Rep(s)/32-91 dt:3-5-1991 and IRC/E/Inspec/91-92/CWAC/B/15-4/91-92

Circular

No.8 dt.25-11-1991)

13.11.22 Indent Books: - It should be seen that

i) reference to invoices are given on the back of respective counterfoils of indents of the divisional office and of the sub-division whose accounts are test audited and that payments and debits are also similarly noted, so as to avoid double payments and debits, and

ii) there is evidence of the lists of surplus stores in the division having been referred to, before

indents are placed for articles.

13.11.23 Register of Stock:- Inspecting Officers should carefully scrutinise the accounts of stores also and to bring to notice cases of irregularities connected with the purchase, disposal and

custody of stores and maintenance of initial records by Departmental Officers, e.g.,

i) Non-verification of stores;

ii) purchase of materials in anticipation of orders or in advance of or in excess of requirements

(collection of materials in excess involves unnecessary locking up of capital and risk of loss to

Government)

iii) purchase of stores at excessive or at different rates as compared with the rates in similarly

situated areas or the rates published in catalogues of engineering firms, if available.

iv) irregularities in the purchase of stores by not inviting tenders or not accepting lowest tender; and

v) Losses or shortages of stores:- For this purposes, it would be useful to examine locally the reports of verification of stock and to bring to notice any unusual circumstances connected with any item.

vi) stock registers should indicate the worn-out materials and spare parts and they should be maintained in all mechanical workshops of the (R&B) & I&CAD departments indicating those in

two categories a) which can be revived after repairs and reconditioning b) which cannot be used

again and became unserviceable. In respect of first category the parts which can be used after repairs shall be taken into the same stock. The spare parts after repairs may be issued to other vehicles or sold to private parties. In respect of second category, the parts can be declared as scrap by the Executive Engineer and disposed off by auction. (G.O.Ms.375 T R&B Dept. dated

17-04-1979 WMC/A/15-308).

13.11.24 Whenever shortages of stores are noticed the following points should be examined:

(i) When the shortages were noticed.

(ii) whether there has been any failure to conduct an annual stock-taking regularly;

(iii) whether there has been any negligence on the part of any of the officials or lacunae in the procedure that led to the shortages.

(iv) Whether the shortages were reported to the specified authority as required in the financial and other rules;

(v) What action has been taken by that authority on the above report;

(vi) Whether a report of the shortages noted was sent to Accountant General as required under rules;

(vii) Was there any delay in fixing responsibility or initiating disciplinary proceedings; and

(viii) Was the shortage due to any fraud perpetuated by falsifying any entries or preparing any

wrong documents of issue of articles. (IRCell/14 dt July, 1967).

13.11.25: According to Article 98 of the Account Code, Vol. III carriage and other incidental

charges actually incurred on the acquisition and delivery of the stores at the godown should not be debited to the stock sub-head "storage" but to individual sub-heads of stocks. Any charges incurred after the acquisition of stores on work-charged establishment employed on handling and keeping initial accounts, the custody of stock and the maintenance of the store godown or yards, etc., should be debited to the sub-head "Storage" of the stock account. It should be seen that these charges are being correctly classified in accounts.

13.11.26 As regards maintenance charges of stores, godowns and Store Yards the buildings of which are being used in connection with the stores may be grouped, into four classes.

- (i) Government buildings used exclusively for stores:
- (ii) Government buildings used both for offices and stores:
- (iii) Hired buildings used exclusively for stores; and
- (iv) Hired buildings used both for office and stores.

It should be seen that maintenance charges on account of item (i) above and rent of item (iii) above is charged to sub-head "Storage". As regards item (ii) and (iv) maintenance charges and rent of such buildings are distributed between the two heads "Storage" and "Office Contingencies" according to the plinth area of the structure occupied by stores and office, respectively.

13.11.27 Priced Stores Ledger:-Govt decided that with effect from 1st April 1970 all Divisions maintaining independent stores (both quantity and value accounts) should maintain Priced Stores Ledgers in respect of Stores and Stocks. These replace the maintenance of Half Yearly Register of stocks. (G.O.Ms.No.997, P.W.D., dated 17th June. 1967 read with Govt. Memo No. 1369-Y/67-16, P.W.D., dated 25th November, 1969-File No.W.M.I/A/15-221/67-68).

While scrutinising the accounts it should be seen that:-

- (i) Priced Vocabulary of Stores is kept and is up-to-date and adopted throughout the department in order to ensure accuracy of posting of all transactions and to facilitate the preparation and

valuation of indents, list of materials in stock showing their correct description and identifying number.

(ii) The entries in the goods received sheets agree with those in the Priced Stores Ledger maintained in the division office (Proforma No.5) and Bin Cards (Proforma No. 1) maintained by the storekeeper.

(iii) The Register of booklets containing goods received sheets is maintained and the booklets are serially numbered.

(iv) Every issue of stock is supported by an indent in (Proforma No.3) and a record of all such indents is kept in Register of Indents in (Proforma No.4) and that the indents agree with the entries in the Bin Cards.

(v) Indents are normally prepared separately for items falling under each sub-head of stock or the articles falling under each sub-head of stock are grouped together in the indent.

(vi) The entries in the Bin Cards for issues agree with the indents retained with the storekeeper;

(vii) The Bin Cards are properly kept and are serially numbered and a register of them is maintained.

(viii) The balances in the Bin Cards agree with those in the Priced Stores Ledgers and the Divisional Officer has verified these periodically at least in any case before the physical verification of stock.

(ix) The completed Bin Cards are returned to the divisional office for verification and record.

(x) The issue rate is assigned to each new article as it is brought to stock and is correctly worked out in the manner prescribed in the A.P.W.A. Code. Generally it should be seen that the issue rate is kept with in the market rate.

Note:-1 Where the issue rate is appreciably less than the market rate it should be seen that generally the issues to contractors are made at the market rates only unless the terms of contract

prescribe otherwise. However the issues to other divisions and departments may be made at a rate higher than the issue rate.

Note 2: The storage rate should be correctly worked out on principle that the total annual expenditure on these charges are recovered as far as possible from the issues likely to be made during the year.

(xi) the monthly total of the “Summary of Stock Receipt” (Form 9) and the “Summary of Indents” (Form 10) which should be posted in the division office from “Goods Received Sheets” and “Indents” agree with the corresponding monthly totals of the ledger. (Form 12).

(xii) (a) the Priced Stores Ledger (Form 12) is maintained in the Division properly and posted daily from the Goods Received Sheets and Indent both in respect of quantity and values and the

balance for each day struck under each article;

(b) the ledger is closed at the end of each month for both quantities and values;

(c) the abstract of transactions (value only) pertaining to each article of stock is prepared at the

end of the ledger;

(d) the monthly total of receipts, issues and balances are worked out for each sub-head and agrees with the Summary of Stock Receipts and Summary of Indents;

(xiii) at the end of the year the Profit or Loss is worked out and adjusted to Revenue or as receipt on capital account or charged as losses on stock and these profits/losses are taken into account for working out the issue rates for the next year; and

(xiv) the physical verification of stock is done once in a year.

13.11.28 Register of Manufacture:- It should be seen that

(i) separate detailed account in Form PWA 16 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 Outturn Accounts; (Art.161 of A.P. Account Code, Vol.III);

(ii) an outturn account is attached monthly to the works abstract for operation;

(Art.160 of A.P. Account Code, Vol.III);

(iii) the rates for valuing manufacturing articles are fixed to represent as accurately as possible the actual cost of manufacture per unit but not exceeding the market rates (L.R 1 under Art.159 of A.P. Account Code, Vol.III);

(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 outturn is adjusted under the orders of competent authority. (L.R. under Art.163 of A.P. Account Code, Vol.III).

(v) In case of a loss, the causes are duly investigated and reported to the competent authority; (L.R. under Art.163 of A.P. Account Code, Vol.III);

(vi) in the cases of “manufacture of bricks” the conditions laid down in the note under paragraph 323 of A.P.W.D Code are fulfilled;

(vii) the charges under “Land and Kilns, etc. in connection with each manufacturing operation 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 charge (vide para 400 (b) of A.P.W.A. Code);

(viii) the aggregate of difference 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 para 245 of A.P.W.A Code and that they are properly cleared.

13.11.29 Register showing advance payments to Land Acquisition Officers:-

It should be seen that the division has maintained a register showing advance payments to the L.A.Os and the usual audit checks exercised.

13.11.30 Workshop Accounts: - The following points should be looked into -

- (i) the system of accounts should be reviewed and it should be seen that it is in accordance with the procedure prescribed and that it is suitable;
- (ii) the jobs should be undertaken only after a valid sanction to its estimates is given. It should, therefore, be seen that in respect of all jobs, estimates have been sanctioned. In respect of works executed on behalf of local bodies, private parties, etc., it should be seen that no work is executed without getting the amount deposited in advance;
- (iii) (a) As all the materials directly used on a job including the labour employed should be directly charged to the job, it should be seen that there is an efficient system to ensure such allocation. In respect of materials issued the “Summary of materials issued” should furnish a job-wise abstract and this should be checked with the figures shown in the schedule of work done. (b) Similarly, it should be seen that the labour charges are also properly allocated to

each job. For this purpose, it should be seen that the job cards for each labourer is maintained properly and the job on which the labourer was engaged is distinctly given on the job card.

(c) It should be seen that the system of time cards/time rolls is followed and the timing noted therein checked with that in the job card so that there is minimum wastage of time. A scrutiny of

these documents may also reveal whether the labourer had been idle for long periods and if so,

the reasons therefor may be investigated to find out whether the idleness was due to any defect in

the machines or lack of work.

(d) It should also be seen that there is a proper allocation of the charges against each work and that this agrees with the relevant figures in schedule of work done.

(iv) The expenditure contingent on the execution of job but which cannot be allocated to any work as such or which it would be inconvenient to charge to any particular job, viz., petty supervision, cost of working engines, etc., should be treated as general charges. (Para 447 of A.P.W.A Code). It should be seen that the charges classified under general charges correctly relate to that head, and therefore, classifiable under the suspense account "Workshop Suspense". As the entire "General Charges" is to be allocated on the jobs on a percentage basis, it should be seen that the unadjusted balance under "General Charges" is not large. If the balance is large, the need for the revision of the percentage should be considered.

(v) The Annual Proforma Accounts should be prepared in the proper forms and they should be

checked to see that they are substantially correct. The following points should be specially seen:-

(a) The capital account is correct and the details therefor are available in initial records; and

(b) The details of expenditure direct and indirect are correct with reference to the initial accounts.

13.11.31 Register of Appropriations:- It should be seen that

(i) distribution of lumpsum appropriations placed at the Divisional Officer's disposal by individual works or by sub-divisions is clearly shown in the register.

(Paragraph 110 of the A.P.W.A Code) and

(ii) the monthly statements of expenditure against appropriations are duly prepared, as required in paragraph 113 of A.P.W.A Code to watch the progress of expenditure and that

proper arrangements exist for taking early steps to obtain extra funds or surrender probable savings as may be necessary.

13.11.32 Register of Assets and Liabilities:- It should be seen that

(i) it shows all assets to be realised and liabilities to be cleared, as indicated in paragraph 116 of

A.P.W.A and the rules there under;

(ii) a few entries in the register are checked with counterfoils of indents, land register and transfer entry book;

(iii) the outstanding liabilities shown in Form F (vide paragraph 113 of A.P.W.A. Code) for the

month selected for test-audit are correct; and

(iv) for items cleared, entries are made in columns 7 and 9 of the register, so that the items awaiting adjustments are readily picked out at any time.

13.11.33 Register of sanctions to Fixed Charges:- The Register of fixed charges in the division should be reviewed in general and checked with reference to sanctions and vouchers for one selected month in each half year to see that -

(a) proper sanction exist for each post;

(b) provision for the purpose has been made in a separate such-head of the sanctioned estimate;

(c) the pay of no post exceeds the prescribed rates in cases where such rates have been definitely

prescribed by a higher authority for any particular classes of posts; and

(d) works establishment are entertained strictly in accordance with the rules and that the pay of

members of regular establishment entertained in excess of sanctioned scale is not charged to works. Even partial employment of works establishment on clerical duties is irregular.

(C.E's Memo No.2606, dated 8th January, 1929).

(ii) Paid vouchers for payments made in the month selected for test -audit to work-charged establishment should be specially scrutinised to see that

(a) a simple register is maintained as indicated in L.R 18 under Article 125 of A.P. Account Code, Vol.III for wages remaining unpaid on the monthly bills;

(b) arrear payments and travelling allowances claims are made on hand receipts (Form 28)

(c) the pay of a maistry is not charged to work when no work has been done and paid for (The

accompanying out-turn statement should be scrutinised for the purpose);

(d) the postings in the register are made with reference to the instructions and foot-notes on the form of the register;

(e) no leave salary is paid to members of work charged establishment except as provided in para 62 of A.P.W.D Code;

(f) the actual travelling expenses only have been allowed and;

(g) wages for March are not paid on 31st March, (C.E's Cir. Memo No. 232-AC/33-1. dated 5th March, 1930).

13.11.34 Acquittance Rolls of Establishment:-

These should be examined to see that there is proper acquittance for each amount disbursed, that

the amounts have been disbursed to the persons entitled to receive them and that the arrangements for keeping proper watch over un-disbursed amounts are satisfactory.

13.11.35 Expenditure on Conservancy Operations on rivers Godavari and Krishna:- It should be seen that -

(i) the annual expenditure on conservancy operations on the Krishna and Godavari rivers has not

exceeded the maximum limits prescribed by Government;

(ii) the limit fixed for each item is not exceeded without the special authority of Chief Engineer for Irrigation and that the total sanctioned limits for each river is not exceeded without the previous sanction of Government and

(iii) if requirements of the works exceed even the total limits for each river and if they are so imperatively urgent that they cannot wait till each sanction is obtained the fact has been reported

immediately with a full justification of their necessity.

(G.O.No.2508, P.I., dated 16th November, 1933-communicated with F.D Endt. No.34067-Exp.I, dated 30th November, 1933 and G.O.Nos. 1520-P.W., dated 19th June, 1939, 453, P.W., dated 5th March, 1940 and 1960 Ms.P.W. (Irrigation), dated 13th August, 1941).

13.11.36 Expenditure on the maintenance of Irrigation and Navigation Systems: Limits Fixed - It should be seen that

(i) the annual maintenance charges on irrigation, etc., system, excluding charges on account of special repairs due to floods and accidents, have not exceeded the limits prescribed by Government.

(ii) where excess expenditure over the limits is proposed to be incurred, sanction of the following

authorities has been obtained:-

(a) of the Chief Engineer where the average expenditure for five years ending with the one in which increased expenditure is to be incurred does not exceed the limits fixed for the system concerned;

(b) of the State Government in other cases.

(G.O.Ms.No.1810, Irrigation, dated 3rd August, 1936, Communicated with Fin.Dept. Endt. No.25281-7, dated 12thSeptember, 1936).

13.11.37 Register of Undisbursed salary and Travelling Allowances

(Amanath Register):- It should be seen that

(i) the Register of undisbursed salary and travelling allowance is maintained in accordance with

the rules and

(ii) the entries therein bear evidence of having been checked by the Divisional Accounts Officer.

13.11.38 Nominal Audit of Pay and Allowances:-

The nominal audit of the pay and allowances drawn for individuals will be conducted with effect

from 1.7.1980 during local inspection to the extent indicated below.

(a) The nominal check during local inspection will be conducted in respect of pay bills of establishment for the month/months selected for test audit (one month is selected for detailed test audit and in the case of biennial or less frequent years, two months are selected for detailed audit). The months so selected for test audit will be the months for nominal audit.

(b) The nominal check will be exercised with regard to individual and primary records containing the authority for the events necessitating the regulation of pay and allowances of Government servants such as increment certificates for drawing the increments, orders for crossing efficiency bar, orders for promotion/reversion, fixation of pay, leave and leave salary, suspension, subsistence allowances etc. The party should maintain a guard file containing all orders. The paid vouchers for the months selected for audit should be made available to them.

(c) acquittance should be checked to ensure that the pay and allowances drawn have been disbursed and acquittance obtained properly and accurately.

(d) These checks should be integrated with the check of Service Books and in their absence, they should be checked independently.

(e) In addition, 20% of (1) cases of increments sanctioned and (2) cases of fixation of pay on promotion or reversion during the period covered by local audit should also be checked.

(CAG's

Lr.No.102 O&M/145-75-II dt 20-03-1980)

(f) The Service Books and Leave Accounts of Govt. servants also should be checked to the extent of 25% in the case of annual audit, 50% in the case of biennial audit 100% in other less frequency audits. The provisions contained in the relevant chapter of Manual of Inspection civil should be followed in this regard.

(g) The supplementary and arrear claims should be generally reviewed to ensure that the cases are not kept pending unnecessarily and there are valid reasons for claiming them in arrears or in

supplementary claim and should be subject to detailed check in respect of such claims in the months selected for test audit.

(h) The various items of work done in conducting the nominal audit of establishment by the members of the inspection party should be mentioned clearly in the allocation sheet.

(i) The guard files maintained by the parties should be handed over to their successors in the event of change of incumbency.

13.11.39 The following certificates should be furnished with the report.

“(i) The nominal audit of pay and allowances has been conducted for the month(s) of in accordance with the instructions of C&AG's secret circular letter No.102/O&M 145-75-II dt. 20-03-1980.

(ii) Office copies of the bills and acquittances in respect of pay and allowances of establishment

have been checked for the month/months selected for test audit.

(iii) Supplementary and arrear claims of the members of the establishment for the period from the date of last audit to date have been generally examined and a detailed test check conducted in respect of such claims for the month/months selected for detailed audit.

(iv) 20% of (a) cases of increments sanctioned to the members of the establishment of the offices

audited and (b) cases of fixation of pay on promotion or reversion during the period from the date of last audit to date have been test checked.”

(v) The Inspecting Officers should include a separate para in the I.R, either in Part II (A)/(B) of

Part III as the case may be, the results of local audit of establishment of Service Books and the Leave Accounts.

13.11.40 The pay and allowances of establishment in respect of officers located in twin cities are

checked and paid by P.A.O Hyderabad and the payments are post audited by R.A.O. The Percentage of audit prescribed for the post audit of R.A.O has not been altered. Hence, the Inspection parties need not exercise nominal audit in respect of the offices located in twin cities of Hyderabad and Secunderabad. (I.R.Cell/II/15.40/80-81/164 dt 18.8.1980. P.140 D.P.Cell II).

13.11.41 Audit of Contingent Registers:- The entries in the contingent register should be checked with the sub-voucher where available, and the propriety of expenditure scrutinised with reference to rules and orders. It should be seen that

- (i) each entry is initialled by the drawing officer;
- (ii) they are correctly entered in the columns having as heading the classification under which the expenditure falls;
- (iii) the total of the entries of the sub-vouchers agrees with the total of the contingent bill drawn;
- (iv) the total expenditure during the year under each head of classification does not exceed the allotment noted at the top of the respective column; and
- (v) the details of stores and other articles purchased as shown in the entries in this register, for which no sub-vouchers are available agree with the entries in the stock books or other register or records maintained in the office.

13.11.42 Service Register, Service Sheets, etc., of workmen in P.W. Workshops in the State:- It

should be seen that the grant of leave with wages is regulated in accordance with the orders contained in G.O.Ms.No.2519, P.W., and T., dated 12th September, 1956 and the revised Industrial Employees Leave Rules, 1936, as indicated in G.O.Ms.No.1354-P.W and T., dated 9th May, 1956 (Vide Annexure VIII)

13.11.43 As per para 569 of A.P.W.A Code the vouchers in support of payment to work charged

establishment sanctioned by authorities higher than Divisional Officers should be submitted to Audit. Inspecting Officers may examine the issue and furnish cases, where the vouchers are not sent to audit. Any irregularity detected may be included in the I.R. Reasons for not showing in the monthly account that these vouchers are not being sent, may also be called for.

(WMC/A/15-WA62 dt: 29-03-1962)

13.11.44 Service Labels

(i) The balances of service labels on hand should be verified.

It should be seen -

- (a) Whether the last two or three purchases of stamps as per requisition for service labels are correctly brought to account in the stamps account register.
- (b) that payments for telegrams by service labels are supported by the telegraph receipts, and
- (c) that the Divisional and Sub-Divisional Officers check and sign the stamp account register not less than once a month and certify correctness of the balance on hand on the date of inspection.

13.11.45 Stationery and Forms:- It should be seen that a proper account of receipts, issues and balances of articles of stationery and forms is kept, their stock is verified annually and certificate of verification is recorded in the register of Stationery over the signature of a Gazetted Officer or other responsible officer.

13.12 Other Items

13.12.1 Opening of consumers Co-operative Stores and Co-operative Society in Government Buildings and Offices:

The rules on the opening of consumers Co-operative Stores and Co-operative Society in Government buildings and office issued by Government, in G.O.Ms.No.1362 P W D., dated 30th September, 1969 are reproduced in **Annexure VIII**.

13.12.2 Sharing of miscellaneous receipts in respect of schemes the expenditure on which is shared by the State and Central Government in agreed proportions:

The following principles should be kept in view by the Ministries at the time of sanctioning financial assistance to State Governments for implementation of their development schemes.

- (a) Where the assistance is in the form of grant-in-aid and the same is of a capital nature (e.g., non-recurring grant for the construction of a building or the acquisition of machinery), the question of sharing of receipt would not ordinarily arise. However, the element of possible

receipts should not be lost sight of in determining the quantum of such grants. Receipts from the disposal of property built out of such grants in respect of schemes which are closed or abandoned should, however, be shared proportionately.

(G.I., Min of (E.O.E.) O.M.No.F.11(22) E.II(A)/59, dated 21st October, 1960).

(b) Whenever any item of disposal of properties referred to above come to the notice during inspection, such cases should be scrutinised by the inspection parties to see whether any share of the receipts is attributable to the Government of India.

(T.M.O.O.No.429, dated 30th November, 1960).

13.12.3 Rush of expenditure - Procedure for examination of accounts in any month in which there has been exceptionally heavy expenditure:- (i) The irregularities which often accompany exceptionally heavy expenditure, which usually occurs in March, are:-

(a) unreal payments i.e., payments charged off in the accounts but not actually made to the parties concerned at the same time; and

(b) payments made before the work or service, for which they are due, is performed.

(ii) Unreal payment:- This irregularity can be easily detected in the audit office by noting instances in which acquittances are not received with the accounts and ascertaining the causes which led to the delay in their submission. The facts ascertained should as far as possible be verified at the time of 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, if the work was really carried out before the cheque was drawn. In some cases stamped bills are sent by firms in advance of the despatch of stores but bank drafts are sent to them long afterwards after the stores are actually received. An inspection of the local records connected with the procuring of bank draft will reveal such irregularities.

(iii) Payment for work not done:- The schedule of expenditure against grant shows the expenditure in March and for the whole year. For 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 or stock expenditure. Rush of expenditure should be commented upon after conducting an intelligent examination of the accounts. The information should be collected in the following form.

1. Name of the Division
2. Purpose for which drawn
3. Date of Drawal

4. Amount drawn
5. Date of actual disbursement
6. Remarks (I.R.Cell/15-40-80-81/196 dt. 29-08-1980).

13.12.4 Stock:- At inspections the original record of stock transactions should be consulted to see how far the stock transactions in the accounts are bonafide. The indents for the stores issued should be inspected so as to ascertain the dates of issue of the indents from stores.

The actual date of receipt at site can be ascertained from the entry in the appropriate column in the receipts for the stores sent and can be checked with the dates on which payments are recorded for the incidental charges such as cartage, freight, etc. Such a check should bring to light all cases in which stock is shown as issued for the purpose of working up to grants. 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 received as the stores are being used up in other works. The rates at which these heavy payments are made should also be scrutinised locally to see that higher rates than are justified are not passed eg., the higher rate provided for teakwood wrought and put up should not be allowed for wood work supplied.

13.12.5 Cash:- The figure under this head may represent:

- (a) actual cash expenditure; or
 - (b) adjustment for workshop debits, etc.
- (i) Actual Cash Expenditure :- (a) From the vouchers received a list in the following form should be prepared.

1. Voucher No. and date
2. Date of Measurement
3. Measuring Officer
4. No. of the measurement book and pages
5. Place of measurement

This list will show if there is a tendency to make an unduly large number of measurements towards the end of March. If this tendency be found, the fact that the measuring officer was on the days specified at the particular place should be verified with the travelling allowance bills and journals. If it appears that the same officer is shown as having measured a disproportionately large number of works in a given time, this fact should also be brought to

notice. The comparison with the travelling allowance bills should be made locally in the case of lower sub-ordinate and other officers for whom journals do not come to the audit office.

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

locally.

(b) Payments for materials: - 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 maintained. In such cases, the successive "site" accounts should be scrutinised to see when the materials were actually used. In some cases, loss (especially) of perishable stores may be noted in these accounts, which should be pointed out.

(c) If the articles are not kept at "site" and the payment represents advances to contractors for supply of materials, subsequent measurement books should be looked into, to see when the materials also were actually used.

(ii) In the case of large workshop debits the facts concerning the dates on which the order was placed with the shops and the articles were actually manufactured and despatched should be verified from local records. This would bring to light adjustments made in anticipation of supply with a view to working up to grants.

(iii) General:- Besides the instructions detailed in sub-paras (i) to (ii) above, the following checks should be applied:-

(a) At inspections the date of closing of the divisional and sub-divisional accounts should be verified. The causes of any delay in the submission of the sub-divisional cash or stock accounts should be enquired into:

(b) whenever in the course of audit, an adjustment is met with, it should be seen if the original entry written back was made in March, and if it is found that it was, the particulars connected therewith should be investigated so as to find out if any adjustments were made in March simply to work up to grants;

(c) It is also an ordinary device to omit the usual percentage deductions on account of security from March Bills or to keep the deductions in deposits by debit to work. Such devices can be detected in auditing the accounts as well as during the inspection.

(iv) (a) Whenever the Inspecting Officer has to comment in his reports on the rush of cash expenditure in March as against that in the preceding eleven months of the official year, he should give specific instances of expenditure incurred in March which would normally have been liquidated in the following months.

(b) As rush of expenditure in March may sometimes be due to late allotment of funds, such cases

should be examined with a view to seeing how far the rush can be accounted for by this cause. Cases in which allotments were sanctioned late in the year (say March) with no reasonable prospect of their being utilised in the year under normal conditions should be specially noted. Similarly cases in which allotments were made even though estimates were not ready in a form suitable for the commencement of the work should be brought to notice.

13.12.6 Strength of Accounts Branch of the Divisional Offices:- It should be seen that the clerical establishment of the divisional office is neither short nor in excess of requirements and that the Divisional Accounts Officer is recognised as the senior member of the office establishment. It is primarily the responsibility of Administration to examine the staff requirements with reference to the standards prescribed, if any. However, if on careful investigation of the causes, it is found that the unsatisfactory state of initial accounts is clearly and unquestionably due to the inadequacy of staff the same should be pointed out to the administration for remedying the position. The Inspecting Officers should not make a mention to this effect in the inspection reports but should convey their observations to central office through a confidential note to be sent with the inspection report. The central office shall, if necessary, take up the matter with the administrative authorities after obtaining the orders of the Accountant General. Such references to the heads of Departments or Secretary to the Government shall be issued under the signature of the Accountant General/Sr. Deputy Accountant General (W&P).

(CAG's Lr.No.1966. Admn.II/358-53, dated 31st October, 1963).

13.12.7 Review of outstanding objections:-

(1) The Inspecting Officer should review the position of outstanding objections as detailed in previous inspection reports after initial review by AAO. He should also examine the objections raised in central audit since the issue of last inspection report in consultation with the administrative authorities with a view to securing their speedy settlement. He should include in the report the number of paras outstanding and the number of paras dropped by him during the inspection. (I.R. Cell Circular No.10 of July, 1969).

(2) The Inspecting Officers should undertake an in-depth study for expeditious settlement of outstanding Audit Objections and pending I.Rs with a view to a) clubbing and attempting a consolidated para in the current report in respect of overlapping objections on the same work spread over in different I.Rs b) discussing with the Head of the office for settlement on the

spot of paras which remained outstanding for more than two years from the date of issue and to drop paras which have lost significance with the passage of time.

(CAG Circular No. 748-TA-I/45-82/Vol-II dated 19-0601982 CWAC/B/14-34/89-90/27

dated

19.10.1989)

13.12.8 Local Audit of Divisions under P.A.Os

All payments and accounting functions relating to TBP HLC and Priyadarshini Jurala Projects are made by the respective PAO's of these projects. Further, in terms of G.O.Ms.No.20 Finance & Planning (Project Wing) Department dated 12-04-1994, PAO system is extended District-wise from 1-7-1994 to regular Divisions in Irrigation Department on experimental basis. PAO system was also introduced with effect from 1-4-2001 to R&B, P.H., Engineering Wing of PR and Forest Departments. The PAO's render consolidated monthly accounts of regular Divisions in the District. In this system the following procedure should be followed for analysis of works/Test audit of selected month.

(a) Analysis of works marked during local audit of the Division

The Irrigation Divisions do not maintain works abstracts and so the inspection party has to conduct the analysis of works with reference to initial records maintained in the division. Where

vouchers are considered absolutely necessary the I.Os may obtain them from the PAO by deputing their Auditor or with the help of the Division.

(b) Test Audit of Selected month

The test audit of the selected month will be limited to that:-

- i) the check of vouchers not required to be sent to audit cannot be conducted in the division.
- ii) the check of cash and the paid cheques cannot be carried out as the cash book is maintained by PAO.
- iii) the check of correctness of the compilation of the accounts rendered to audit does not arise as

they are not rendered by the division. These checks are to be exercised during the inspection of the PAO's office.

(c) Checks to be exercised in the office of the PAO:-

Necessary checks are to be conducted in PAO's office in respect of the Cash Book, TE adjustment Book, Compilation of selected months account, vouchers not sent to audit and paid cheques. Accordingly, accounts should be got marked for test audit based on the month wise expenditure of the entire project for which accounts are rendered by the PAO and the

complete set of accounts for the selected month for the whole project and also foils of paid cheques relating to the accounts of those months should be sent to the inspection party by the IAU(Works) Section. These checks exercised in the local audit of the PAO's Office which are complimentary to local audit of the division should be in addition to local audit of the transactions of the PAO's office itself as for a civil office. Further the party has to scrutinise the register of miscellaneous works advances, purchases, deposits, revenue etc., and the contractors ledgers of the various divisions maintained by the PAO. The local checks to be applied on the Schedule of Settlement with Treasuries compiled by the PAO also should be exercised. (IR Cell I/78-79, dated 28-04-1978).

S E C T I O N - III

13.13 INSTRUCTIONS FOR PREPARATION OF INSPECTION REPORT

13.13.1 Instructions for drafting of Reports

Following instructions are issued for the guidance of the Inspecting Officer/Field Parties in drafting the Inspection Reports (IR):

The Inspection Report of an audit unit should provide a perspective of the unit level compliance and may comprise the following parts:

Part I – Introduction- This part may commence with an overview of the audit unit and may provide its functional/geographical jurisdiction, budget, financial performance and a perspective of the relative significance of the unit in the overall hierarchy of the department in pursuit of organisational goals. This may be followed by a brief explanation of the scope of audit, the sampling procedure followed and the audit sample – including the implementing units, the subject matter(s) selected and the sources of criteria that have been adopted to evaluate the selected subject matter(s). It may be indicated that the audit has been conducted in accordance with the applicable Auditing Standards of CAG.

Part II – Audit findings–This part shall contain all findings – both positive and negative findings that pertain to the audit unit and may be arranged in two distinct parts - Part IIA and IIB - the first part comprising significant audit findings relating to evaluation of the regularity related subject matter(s)/ specific subject matter(s) and propriety related subject matters and the second part – IIB comprising other incidental findings relating to both regularity and propriety aspects. The audit findings should be organised in decreasing order of materiality and significance, if possible.

Presentation of audit findings shall conform to the Auditing Standards and other reporting principles enunciated in this chapter and clearly bring out the applied criteria, the results

of evaluation of the subject matter against the criteria highlighting the cause and effect relationship. Audit findings may also appropriately indicate the extent of non-compliance and whether they involve systemic issues or represent isolated cases of non-compliance.

NOTE: The following general principles should be kept in mind while drafting paras:

- ↔ Titles of the paras should be very brief and capable of covering the nature of objection being dealt within the paras.
- ↔ Comments regarding the state of initial accounts should be recorded by the Inspecting Officer in the forwarding documents after making his own assessments on the basis of the account records etc.
- ↔ The audit observations should not be vague and general in nature. Specific instances should be quoted and all relevant details duly enclosing copies of reference mentioned in the report.
- ↔ Production of documents not made available to the previous inspection should be insisted upon and the non-production of records should be specifically commented as a last para duly indicating the check that could not be exercised due to non-production of those records.

Test Audit Notes:

- ➔ This part will constitute the test audit note in (form No.SY 203) which should contain the irregularities of minor nature. This will be in two sub-parts. One for remarks relating to accounts and other for service books including objections noticed in nominal audit.

Note: Items of the IR which are likely to develop as a draft para to be included in CAG’s Audit Report i.e., paras included in Para II Section’ A’ should be noted in the Register of Major Irregularities and pursued vigorously with higher authorities.

Part III – Follow up on findings outstanding from previous reports – This part may indicate the progress of settlement of audit findings outstanding from previous Inspection Reports and list out the findings that continue to be outstanding.

<i>Sl. No</i>	<i>Month/ year of Report</i>	<i>Para No</i>	<i>Gist of objection</i>	<i>Latest position and action taken for expeditious settlement</i>
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>

All the outstanding paras of the earlier inspection report should be reviewed by the Inspecting Officer and results of review recorded in the revised sheets to be sent along with the draft Inspection Report. While reviewing outstanding paras, care should be taken to

assess the position in relation to the objection raised in the previous years. The specific points raised in the para should be checked to see if they have been addressed. Only such of the paras as in the opinion of the Inspecting Officer need to be pursued should be incorporated in this para. When the latest position is commented in the report on hand, paras on the same issue commented earlier and still outstanding should be dropped.

Part IV– Best practices – Any good practices or innovations, if noticed, during the course of audit may be mentioned.

Part V – Acknowledgement– This part may contain the acknowledgement of the extent of audit units’ cooperation in all matters including production of records called for in Audit. It may also contain details of persons holding the leadership positions in the audit units.

(Source: Para 6.5 of Compliance Audit Guidelines 2016)

13.13.1.1. Grading of Inspection Reports

*The Inspection Reports (IRs) should be graded so that their quality can be benchmarked. A Scoring methodology has been defined to measure the efficiency and effectiveness of critical audit processes against a maximum score of 100, which would consequently translated into a grade to evaluate the quality of Inspection Report on a scale of 0-10 as detailed in **Annexure – IV**.*

13.13.2 COMPUTER CODE NUMBERS TO PARAGRAPHS

Outstanding Inspection Report paras have been computerised. For this purpose various categories of objections commonly included in the I.Rs are given specified code numbers. While

drafting the Inspection Reports the inspection parties may indicate in the heading the para or sub-para, not only the nature of objection and amount but the code numbers also. A list of code numbers is given in Chapter 15. (Circular No.1 of IR Cell/Misc/94-95/29 dated 13-04-1994).

13.13.3 Proposing of Draft Paras

1) All financial irregularities with money value of **Rs.50 lakhs** and more with potential for a draft para should be supported by a factual note, the facts being certified by the field officers and indicated in the Section ‘A’ of Part-II of I.R where the facts are not disputed but accepted by the department. In case, it is considered that the draft paragraph with lower money value need be included in the report for special reasons, such paras may also be proposed indicating

such reasons. Model draft paras should be framed by the Inspecting Officers and sent. Copies of all relevant references, original and revised estimates etc., should be sent. The sequence of events should follow the chronological order.

(O.O.No.2/AU-I/Report I/II-3/2001-2002 dated: 3-5-2001)

2) The draft para should be accompanied by the background information such as dates of sanction of Estimates/Revised Estimates, estimated value, agreement No., contract value, expenditure incurred etc.

3) Where the objection is on stoppage of works after partial execution the following information is required.

(a) Specific reasons for stoppage of work with date of stoppage and reasons for non enforcement of relevant penal provisions of APSS, action taken by the department and the response from the contractor.

(b) Progressive expenditure showing the quantity executed itemwise with value.

(c) Where the contract was not closed or where the final bill showed minus amount, the extent of

assets of the contractor like EMD, FSD, Bank Guarantee etc., whether Bank Guarantee covered the period of contract including the extension period.

(d) Where the balance work was resumed and entrusted to alternative agency at higher rates, higher than the agreement rate of the first agency extra expenditure incurred.

(e) In the case of paras on “shortages” the date of their detection and the steps taken by the division to reconcile and fix responsibility for the loss should be indicated.

(f) Where the extra expenditure is on account of payment of increased rates for supplemental items, extracts of the relevant data sheets for the supplementary rates should be obtained and attached.

(g) While commenting on non-development of ayacut, precise reasons therefore such as nonavailability of water, non-reclamation of lands etc., should be ascertained and indicated.

(h) Where the action of the department was in view of some urgency and if it results in extra expenditure or avoidable expenditure it can be considered for comment only if the audit can prove that there was no urgency. (I.R.Cell I/15-16/77-78/4, dated 2-11-1977).

Note: - Instructions contained in Para 10.8 of this Manual should also be kept in view.

13.13.4 *Furnishing of separate reports for P.W Receipts*

Audit of receipts of various departments was taken up by SRA wing with effect from 1.4.1976.

The report on the receipts of PW Department may be furnished separately to that wing to enable them to include the irregularities in the Audit Report on the State Receipts. In the case of receipts all cases involving an amount of Rs.50,000 and above should be taken to Section 'A' of the I.R. In important and deserving cases draft paras should be prepared and sent to them.

(I.R.Cell II/15-16/79-80/60, dated 1-1-1980)

13.13.6 a) The Inspecting Officer should forward the inspection report to the Assistant Audit Officer (IR Cell) by name, by registered post, along with the records sent to him by the IAU(Works) Section.

b) No reference to the month of account test-audited, the names of works analysed and the names

of sub-division test audited need be made in the inspection report as these details are contained in the forwarding memo.

(W.M. 14-9/53-54/33, dated 17th February, 1954).

c) In order to ensure the accuracy of the statement incorporated in the inspection reports, the cogency of the arguments developed and moderation and precision in the language employed, the reports should be drafted by the Inspecting Officers themselves. Particular attention should be paid to the wording of the draft paras embodying audit objections. The language used should invariably be impersonal polite and inoffensive.

(C.A.G's Lr.No.PS/588/56, dated 23rd October, 1956).

d) The inspection reports should be drafted bringing out the irregularities clearly and precisely.

Elaboration's should be avoided. Reference to para number of the State Government Codes or

Government Memo. or Government orders should always be quoted. Full details in support of the irregularities should be given. Only the really important points should be included in the Report. A drastic cut should be imposed on the number of paragraphs which are in the nature of merely asking for information or where suggestions are given for review by Administrative Officers. A note should be left behind indicating the more important cases which were not mature for the current inspection report and which should be looked into during future inspections.

e) It is possible for the Inspecting Officer to take a strong position in cases where the action taken by the Executive is contrary to definite rules and orders. But he should be very careful about the tone and language of his report in cases where discretion rests in the Executive, but

has not, in the opinion of the Inspecting Officer, been exercised with due regard to the financial interest of Government. In such cases he should, at least confine himself to a statement of probability and ask for the reasons therefor and should in no case comment upon the judgement exercised by the Executive Officer.

f) Whatever loss the Inspecting Officer thinks has occurred should be stated but in a form in which it might appear as if the matter requires further elucidation and explanation and not in the shape of a final verdict on the part of the Audit.

g) Divisional Accounts Officer should be frequently consulted by the inspecting staff during the

course of inspection and if the Executive Engineer is at his headquarters he should also be kept informed if the objections by passing on the rough notes to him. If the Executive Engineer chooses to offer his remarks the Inspecting Officer should see how they affect the objections raised. By adopting this procedure it would be possible to settle quite a large number of points. These rough notes should be sent to the central office where they should be filed as a record of the points settled by the Inspecting Officer on the spot.

h) In the case of irregularities not covered by the scope of the inspection brought to light, brief

reasons should be recorded as to how the irregularity came to be discovered.

Note:- The name and rank of the official responsible for the irregularity should be kept in rough notes of the inspection so as to facilitate the entries in the Register of Financial Irregularities.

i) Cases of losses or irrecoverable payments amounting to Rs.2500 or less should not find a place

in the report but should be taken to the Test Audit Note. All cases of such infructuous or irrecoverable expenditure exceeding Rs.2500 should be grouped so that a single para on the subject may be drafted, the details leading to the objection being listed out in an Annexure to the para. (O.O No.14-19/53-66/22, dated 21st May, 1954 as amended from time to time).

j) The points thus left unsettled, should be taken in the Inspection Report, or the Test Audit Note as their importance may warrant by quoting cross - reference to serial number of the paragraphs on the rough note and vice versa. Only important points that matter, rather than irksome, meticulous points which do not matter, should be taken. The Inspection Report should be reserved only for such important points as will eventually have to be brought to the notice of the Superintending Engineer and State Government. Points which are next in

importance should be relegated to the Test Audit Note to be finally dealt with by the Executive Engineer.

13.13.5 Documents not produced

There should be a separate para on documents not produced at the end of the Inspection Report

in which the latest position should be incorporated. In this para, the period of the report in which the non-production of the documents was first commented should be indicated. Short notes indicating the purpose for which the documents were called for should be sent along with the Inspection Report to enable proper scrutiny by the subsequent parties.

(Circular No.CWAC/A/15-31/2000-2001/Cir.No.5 Dt:8-2-2001)

13.13.6 If there are any points of sufficient importance in the Inspection Report of sub—divisional offices by the Executive Engineer or Divisional Office by the Superintending Engineer in the final decision of which the Audit Office is interested,, a brief reference to these matters should be made in the Inspection Report itself. Further details, if considered necessary to supplement information of the Head Office to further pursue the points, should be furnished on a separate office note. The draft report should after necessary modifications made as a result of discussion with the Divisional Officer, be sent to him for perusal and return to see if there is any misrepresentation of facts.

13.13.7 Review of Divisional Accounts Officers' Audit

In cases the Review of audit by the Divisional Accounts Officer in respect of Sub-Divisional Accounts discloses any item which has not been adequately dealt with or calls for further action, it may be incorporated in the Inspection Report under a distinct and separate heading “Review of Divisional Accounts Officers Audit”.

13.13.8 The Inspection Report which should always be in neat and clean type should then be discussed with the head of the office. If it cannot be discussed with the Head of the Office owing to his absence from headquarters, the fact should be clearly mentioned in the Inspection Report.

13.14 Test Audit Note

13.14.1 All minor points that can be settled by the Executive Engineer should find a place in the

Test Audit Note. It should be neatly written and must not be mere scribbling. The Assistant Audit Officer/Section Officer should critically examine the portion contributed by his assistant and verify the facts stated by him. The Inspecting Officer should carefully go through the whole of it and satisfy himself that the objections taken are prima facie valid. The

Test Audit Note should be examined generally in I.R.Cell and sent to Divisional Officer for remarks and return. The Test Audit Note should be issued from the Headquarters Office either as part of the main report or separately. (C.A.G's Lr.No.939 Admn-I/177-63, dated 10th April, 1963).

13.14.2 The compliance of objections included in the Test Audit Note should be watched at the time of local audit as laid down in para 6.1.17 of M.S.O., (Audit) In the cases where no action has been initiated by the department, even though they are important in nature such cases may be included in the main Inspection Report and further compliance watched. (C.A.G's Lr.No.870-TA-II/455-68, dated 9th July, 1971).

13.15 *Miscellaneous Topics:*

13.15.1 *Interviews with the Superintending Engineers:-*

Officers who inspected the accounts of Public Works Division offices should arrange to see the Superintending Engineer of the circle with a view to discussing with him the state of accounts of the divisions in the circle inspected, if the latter happens to be at any of the stations visited by them.

13.15.2 *Monthly D.O. Letters by Inspecting Officers:*

All the Inspecting Officers of Field Parties (Works and Projects) should send D.O. Letters to the Group Officer, bringing out all important and Interesting points noticed during previous month, by 10th of succeeding month. All copies of relevant correspondence (Key documents) should be sent along with the monthly D.O.

13.15.3 The IR cell should maintain a register to watch the regular receipt of monthly D.O.s from the I.Os for submission to Group Officer.

(Minutes of the Briefing Session held on 21-2-2000)

13.15.4 Submission of Tour Diaries

Inspecting staff should maintain tour diaries and submit extracts of the same weekly in the form

(S.Y 324) furnished below.

Diary of Shri AAO/SO/Sr.Ar/Ar for the week ending Saturday
the

Date Day of week & hours of attendance

Name of the dept/office inspected

Details of work done

Asst. Audit Officer/Section Officer/Sr.Ar/Ar.

Countersigned.

Inspecting Officer/PWIP.....

13.15.5 I.R.Cell will be watching receipt of diaries through a separate register prescribed for this purpose.

(I.R.Cell/E/F4/Vol.II/91-92/Circular No.9, dt.17-12-1991 read with Circular No.I.R.Cell/D/92-93/Misc, dt.19-09-1992.

13.16 Editing of Inspection Reports.

13.16.1 The Inspection Report should be scrutinised by the ES Coordination Section/~~I.R.Cell~~ and edited carefully.

13.16.2 Remarks which are found not in order should be expunged or modified and those which

are not considered important enough should be transferred under the orders of the Sr.Deputy Accountant General (ES) from the Report to the Test Audit Note. Any failure to scrutinise any important record relating to the initial accounts of the offices inspected or any other important point worth special mention should be brought to the notice of the Principal Accountant General, through the Sr.,Deputy Accountant General (ES).

13.16.3 Paras of the Inspection Report which are likely to appear eventually in the Report of Comptroller and Auditor General i.e., paras included in Part-II Section „A“ should be noted in the Register of Financial Irregularities by D.P. Cell and pursued vigorously. They should make special correspondence with the Divisional Officer or the higher authorities concerned till they are either considered for inclusion in the Report of Comptroller and Auditor General or transferred to Section-B of Part-II.

13.16.4 I.R Cell should also indicate in the edit note the reference to para of the Inspection Report and the money value of the objection relating thereto for noting in the objection book.

13.16.5 The edited note should be submitted by I.R.Cell through the Branch Officer to Sr.Deputy

Accountant General (ES) for orders and after approval, get the Inspection Report typed and after signature of Sr. Deputy Accountant General (W&P) transmit them to the IAU(W) Section concerned for onward transmission to the Division.

13.16.6 The report after it is scrutinised and edited shall be issued from headquarters. The letter

forwarding the report should not be worded so as to give an impression that the report which is being sent is a copy and not the original. If more than one copy is sent the forwarding letter should make it clear that the Inspection reports on the accounts of (full name of the office) with spare copies are being sent.

13.16.7 The pursuance of the Inspection Report other than Section-A, after it has been edited by

I.R.Cell is the responsibility of the IAU(W) Section concerned.

13.16.8 After editing I.Rs, the I.R.Cell should communicate the remarks of Sr.Deputy Accountant General (ES) if any on the I.R to the I.O in the following form.

“I am to communicate hereunder the remarks made by the Sr. DAG (W&P) while approving the

draft I.R on the accounts of for information and guidance”.

(I.R.Cell 15-45/80-81/287 dt. 21-09-1980).

13.16.9 *Fixing of targets for Inspecting Officers and Staff:-*

The Confidential formats for the officers and staff working in IA&AD have been revised with a

view to watch the achievements of each person against the targets of various items of work allotted to him during that financial year. The following targets are prescribed for the inspection parties in Public Works Wing Each Asst Audit Officer/Section Officer should contribute a minimum of 4 paragraphs for the Local Audit Report, i.e., two on works aspect and two on other matters covered by their check of the records in the Division. The Inspecting Officers supervising the inspection work should contribute and finalise at least one factual note for each important division such as Roads and Buildings and Irrigation. At the end of each quarter the Inspecting Officer should submit a report to the Sr. Dy. Accountant General (Works & Projects) with a copy to the Secretary to the Accountant General indicating his performance against his target. He will also prepare and submit a quarterly review report to the Sr. Dy. Accountant General (ES) relating to the performance of Asst. Audit Officers and Section Officers and Auditors indicating the reasons for the shortfall, if any, and the remedial measures taken. Whenever any of the Officials in the Head Quarters or in field is transferred, necessary performance report should be prepared and submitted to the respective controlling sections indicating his performance till the date of transfer.

13.16.10 Sr. Dy. Accountant General (ES) will scrutinise the quarterly reports submitted by the Sr. Audit Officer /ES Coordn. on 15th April, July October and Jan and examine the reason given for the shortfall, if any, brought to his notice in the achievement of the targets prescribed and submit these reports to Principal Accountant General.

(Office Order No.CWAC/A/87-88/15-510/14, dt.26-10-1987 and No. I.R.Cell/15-510/93-94 OO.No.60 dt 10-02-1994.)

13.16.11 I.R. Cell will maintain a register indicating good and bad work done during inspection based on the remarks of Sr.Deputy Accountant General (ES) mentioned above. These remarks will be taken into account while reviewing the annual C.Rs.

(I.R.Cell 15-40/80-81/255, dt 18-09-1980.)

13.16.12 Issue of Inspection Reports

The Inspection Report of a Public Works Division should be issued within one month from the date of completion. In order to curtail delay and ensure timely issue of Inspection Reports, the

following time-table is prescribed for disposal of inspection reports.

5 - Working days for the receipt of the draft report from the Audit Party

5 - Working days for I.R.Cell to submit the report

4 - Working days for the officers to pass the report

10 - working days for the typing and issue of the report

24 working days, say one month

(Circular No.19-TAI/83 No.799-TAI/83-83, dt 18-07-1983 of C.A.G File /CWAC/B/16-23/92-93.)

13.16.13 It will be necessary for the Divisional Accounts Officer to furnish the Sub-Divisional

Officers with the necessary extracts from the Inspection Report as soon as they are received in the Divisional Office and to see that the replies to irregularities concerning the Sub-Divisional Offices are furnished by them to the Divisional Office sufficiently in advance to enable the Divisional Office sending its first reply to the Inspection Report to the Audit Office within one month.

13.16.14 No copy of the Inspection Report need be forwarded to the State Government. Only those items which the Superintending Engineer and the Chief Engineer do not settle to the satisfaction of the Principal Accountant General and which it is necessary to report in view of

possible inclusion in the Report of Comptroller and Auditor General or for any other special reasons shall be referred to State Engineer concerned should be informed.

Note:- In reporting financial irregularities to the State Government for their orders it should be seen that a gist of the case with full reasons for the view taken by the Audit Officer (quoting rules where necessary) is given in the forwarding letter. Mere copies of the objections with the explanation of the officer concerned, remarks of the Executive Engineer and the orders of the Superintending Engineers sent to Government with the forwarding letter, in which no reasons for our non-agreement with the Superintending Engineer as to the adequacy of the action taken are given, is not enough. All such reports should be submitted to the Senior Deputy Accountant General (ES).

13.16.15 Register for watching receipt and issue of I.Rs

A register in the form given in **Annexure IX** should be maintained in I.R.Cell for watching the receipt of Inspection Reports from field parties and issue to departments. The register should be put up to D.A.G (W&P) fortnightly on 3rd and 17th of each month.

13.16.16 Progress register of settlement of I.Rs and Paras (Points Register)

A progress register in the form given in **Annexure X** for watching settlement of I.Rs and paras should be maintained by IR Cell. The register should be submitted to Sr. D.A.G (ES) on 25th of every month. (Vide also para 1.4.8 Annexure III)

13.16.17 When replies to paras under Part-II Section 'A' are received by IR cell they should be sent to D.P. Cell for further action. No final disposal should be given by the sections on such paras. (I.R.Cell/15-16/74-75/7 dt 16-01-1975)

13.16.18 Paras which are included in the Audit Report should not be dropped subsequently on receipt of suitable replies by D.P.Cell, IAU(Works) Section or Inspecting Officers without the concurrence of Report Section. Inspecting Officers should refer such cases to Central Office with full details and their comments. However, the provision of the note, under Para 9.6.7 may be kept in view. (I.R.Cell/15-16/76-77/18, dated 11-08-1976).

13.16.19 Collection of certain material/information through Field Parties:-

In terms of Accountant General's orders dated 16-03-1994 whenever any information is sought by the Branch Officers of Accountant General (A&E) regarding collection of wanting documents etc., field parties should visit the concerned offices during their stay at a particular

place on audit inspection duty and obtain the information of missing credits/debits, wanting vouchers/schedules, information on clearance of suspense balances and forward the same to A&E Office.

(T.R.No.393 dated 16-03-1994 of AG(Au-II) communicating copy of D.O.No.TM(Accts)II/III24-1/93-94, dated 7-3-1994).

ANNEXURE I (Referred to in para 13.2 1)

Local Audit Plan for the Year

Name of Inspection Wing/ Coordination

Total No. of auditee units of the inspection wing as on 1st April

Total No. of units proposed for audit during visa- vis party days required as per Audit Plan

A B T Q Total party days available

A* B* T* Q* Total Total party days required

A = Annual

B = Biennial

T = Triennial

Q = Once in 4 years

(*) = Number of units actually audited in previous year may be indicated in brackets below the current year figure.

DISTRIBUTION OF MEN-IN-POSITION AS ON 1st APRIL

Sr.AOs/AOs /AAOs/SOs/supervisors Sr.Ars/Ars

Admn.

Central Audit

OAD (Civil)

Revenue Audit (State)

Revenue Audit (Central)

Commercial Audit

Appn. Report &ECPA

Others (to be specified)

Total

DEPLOYMENT OF PARTIES FOR REVENUE AUDIT

A Central Receipt Audit No. of parties

(i) Income Tax

(ii) Central Excise

B. Staff deployed for Customs Receipt Audit

C State Receipt Audit

(i) Sales Tax

(ii) Other than sales Tax

(iii) Non-tax revenue

Annexure-I (Contd.)

DEPLOYMENT OF STAFF FOR COMMERCIAL AUDIT

Party days available No. of parties

(i) State Electricity Board

(ii) State Road Transport Corpn.

(iii) Govt. Companies

(a) Accounts Audit

(b) Transaction Audit

(iv) Reviews

DEPLOYMENT OF PARTIES FOR CIVIL AUDIT

Wing Sec. 13,16 & 17 Sec. 14 & 15 Sec.19 Sec.20 Total

Civil

Works

Forest

Total

TARGETTED DRAFT PARAGRAPHS

No. of DPs targeted for the current year

No. of DPs approved in previous year

1 Civil

2 Works

3. Forest

4. Receipt Audit

(i) Direct Taxes

(ii) Indirect Taxes

(iii) State Receipts

5. Commercial

DEPLOYMENT OF PARTIES FOR REVIEW

Wing No. of Reviews Party days

All India Others

Civil

Works

Forest

Total

CENTRAL AUDIT

(a) AUDIT OF UNITS/VOUCHERS

Group Total No. of

Units/Vouchers

No. of units/Vouchers to be
audited

1 Civil

2 Public Works

3 Forest

4. Others

(b) AUDIT OF FINANCE ACCOUNTS AND APPROPRIATION ACCOUNTS

Item of work Year Target date of completion

Finance Accounts

Appropriation Accounts

(c) CHECK OF MONTHLY ACCOUNTS

Group Current In

arrears

Target date of completion

1. Civil

2. Public Works

3. Forest

ANNEXURE II

(Referred to in 13.2.2 of Manual)

P R O F O R M A - I

No. of units auditable during the year

No. of units planned for audit during the year

No. of units auditable during the quarter

No. of units audited during the quarter

No. of units auditable locally during the quarter but not selected for audit

No. of I.Rs issued during the quarter

No. of Part.II A (major) paras in the I.Rs issued during the quarter

No. of Part IIB (minor) paras in the I.Rs issued during the quarter (for final action by auditee and his superior)

No. of I.Rs pending settlement as at the end of the quarter

No. of Part II paras in the I.Rs Pending settlement as at the end of the quarter

A N N E X U R E III
(Referred to in Para 13.2.2)

P R O F O R M A - II

No. of vouchers audited during the quarter

No. of vouchers pending for audit at the end of the quarter

No. of divisional accounts audited during the quarter

No. of divisional accounts pending for audit at the end of the quarter

No. of other records audited during the quarter

No. of audit notes issued during the quarter

No. of audit notes settled (cumulative)

No. of audit notes pending (cumulative)

ANNEXURE IV

(Referred to in para 13.3.11 of this Manual)

Office of the Principal Accountant General (Audit), Telangana, Hyderabad 500 004

Intimation of Inspection of the Divisional Office

No.IRC/D/14-1/9 -9 /

Dated:- -

199.

To

The Executive Engineer,
Division.

Sir,

I am to inform that Sri. _____ will inspect your Office from _____ and succeeding days.

2. It would be an advantage if you could conveniently arrange to be present during the inspection so that any points of doubt and importance may then be personally discussed with you then and there. In this connection, I would invite attention to paragraph 94 of the Andhra Pradesh works Account Code.

3. I shall be obliged, if you will give such directions as may be necessary to ensure the documents which will be required during the inspection shall be in readiness and specially these noted below.

I. Treasury Pass Book.

II. Savings Bank Pass Book.

III. Measurement Book.

IV. All vouchers that have not been sent to Accountant General Office including Nominal Muster Rolls.

4. Divisional and Sub-Divisional documents required for inspection as per list enclosed.

Yours faithfully,

Sr. Audit Officer/ESI.

ANNEXURE V

(Referred to in para 13.3.11, 13.3.12 and 13.4.10 of this Manual)

The documents to be reviewed during the Inspection of Public Works Divisional Offices.

A. PUBLIC WORKS, ROADS & BUILDINGS DIVISION.

1. Accounts of the month selected for test Audit.
2. Complete set of Office copies of accounts.
3. Cash Books(Divisional & Sub-Divisional Offices) PWA.I.
4. Register of receipt books, (PWA.XLIII).
5. Receipts Books (Current & unused).
6. Register of Cheque Books (PWA.XLIII).
7. Cheques Books(Current & unused).
8. Counter foils of used cheques book, not destroyed.
9. Imprest Accounts(including accounts of temporary advance(PWA.3)).
10. Cash accounts of canal officer.
11. Blocks of collected canal tickets not destroyed.
12. Register of canal tickets.
13. Register of Boats.
14. Register of Miscellaneous sanctions (PWA XXXIX).
15. Register of sanction to estimates.
16. Tender and Register of tenders.
17. Register of tender scheduled sold.
18. Register for recording reasons for accepting a tender other than, the lowest.
19. Register of Agreements.
20. Agreements including industries in from 31 taken for advance on materials and agreements taken for hire of tools and Plants, articles, leases of fishery usefruct trees, grass etc.
21. Register of Sub Divisional Agreements.
22. Schedule of rates.
23. Register of registered contractors and firms.
24. Register of confidential record of contractors and firms.
25. Muster rolls including casual labour roll daily rolls of labour employed through contractors (PWA, XVA &XVB.. XVI).

26. Register of properties, bridges and culverts irrigation Accounts.
27. Road Metal rate book (PWA.V.).
28. Road Metal returns (PWA.V.).
29. Register of measurement books (PWA.XVII).
30. Measurement Books.
31. Register of check-measurements by the Executive Engineer.
32. Boat Notes.
33. Register of watching the progress in review of the measurements Books by Divisional Accounts.
34. Contracto's ledgers (PWA.14).
- 35 Counter foils of contractors receipt together with unstamped receipts.
36. Register of contractor's bills.
37. Audit Slips of contractors bills since last inspection.
38. Register of firms bills form No. PWA.VI, II, paragraph 308 (b) of Andhra Pradesh Public Works Account Code).
39. Works Abstracts (PWA.10 & 11).
40. Materials-at-site accounts) (PWA.XV to XXX).
41. Works Slips (PWA.XXXII).
42. Register of Works (Major and Minor) PWA.12 & 13.
43. Minor 7F Certificate.
44. Inspection Notes of Chief Engineer/S.E on works.
45. Register of Divisional Accounts audit objections.
46. Vouchers not submitted to Audit.
47. Register of empty cement bags/empty tar drums.
48. Objection book for petty works & adjustment register.
49. Register of petty objections..
50. Progress Reports 'B' Forms.
51. Progress Reports 'C' Forms
52. Progress Reports 'B' Forms.
53. Latest Inspection Report of the Sub-Divisional Offices by the E.E. and Divisional Accountant.
54. Latest Inspection Report of the Divisional Office by the Superintending Engineer.
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55. Monthly audit Notes on the Sub-Divisional Accounts.

56. Register of lands acquired for P.W.(PWA.11-7).
57. Register of Buildings and Lands (Revised Form).
58. Register of rents of buildings and lands (PWA.XIII) local ruling under Article of Andhra Account Code (Vol.III).
59. Register for watching the recovery of the cost of prickly pear, clearance of irrigation works.
- 60 Register if cost of repairs done to Railway affecting tanks under the Railway protection Act. (vide paragraph 484 of PW „A“ Code).
61. Register of miscellaneous recoveries (vide Misc.local Ruling in Sn.IV of Chapter.III of Andhra Public Account Code Vo.III), PWA.XIV.
62. Miscellaneous properties Register.
63. Register of watching recoveries on account of water supplied to Municipalities and Industrial concerns etc.
64. I.B. visitors Books.
65. Transfer Entry orders (PWA.7).
66. Transfer Entry Book (PWA.6).
67. Log Books of lorries and other heavy tools and plant.
68. Register of hire charges and daily and fortnightly reports of heavy tools and plant.
69. Proforma accounts of heavy tools and plant.
70. Register of Accounts.
71. Tools and Plants (PWA.I & II).
72. Register of Tools and Plant (PWA.III).
73. Deposit Register (PWA.17).
74. Register of watching the recoveries of security Deposit for bonds from the Drivers & Cleaners of Jeep etc.
75. Register of Interest-bearings securities (PWA.XLII).
76. Savings Banks pass books and other forms of interest-bearing, securities deposited with the Divisional Officers.
77. Suspense Registers, purchases, Misc. Public Works Advance(PWA.17).
78. Stock Accounts.
 - a) Indent for Stores (PWA.X).
 - b) Register of Indents of Stock (PWA.XXIII).
 - c) Register of Stock Receipts/Issues (PWA.4).
 - d) Abstracts of Stock Receipts (PWA.5).

- e) Abstract of Stock Receipts Issue (PWA.4).
- f) Priced Stores Ledgers.
- g) Outturn statement of Manufacture (PWA.15).
- h) Register of Manufacture (PWA.16).
- i) Stores purchase orders with quotations & comparative statement.
- j) List of surplus stores.
- k) Survey Records (PWA.VI)
- l) Register of Survey Reports.
- m) File relating to fixation of issue rates.
- n) Priced Vocabulary of Stores.
- o) Goods received sheets (Form 12-A).
- p) Register of Goods Received Sheets (Form 12-A).
- q) Bin Cards (Forms.8).
- r).Indents for Stores (Forms.7A).
- s) Register of Indents (Form.7A).
- t) Priced Stores Ledger (Form.12).
- u) Summary of stock receipt (Form.A).
- v) Summary of Indents (Form No.10).
- 79. Annual Certificates Balances (PWA.26).
- 80. Cash Settlement Suspense Accounts (Form.I to VI).
- 81. Treasury Pass Books.
- 82. Treasury Remittance Book.
- 83. Schedule of settlement with Treasury (PWA.26).
- 84. Workshop Accounts.
 - a) Sanctions to workshop jobs with estimates.
 - b) Job cards (Labour Assistant) (PWA. Vr. 68).
 - c) Time Cards/Time rolls (PWA.Vr.101).
 - d) Indents for materials.
 - e) Abstract of materials issued.
 - f) Foundries Register of Casting-outturn statements etc.
 - g) Schedule of works done.
 - h) Annual P.W. Form Accounts.
- 85. Register of appropriation.
- 86. Register of Transfer awaited (Form No. PWD.VI.37 (A) referred, to in paragraph 116 of

Andhra Public Works Account Code.

87. Register of sanctions to fixed charges (PWA.XXXVIII).

1. General Index Register Form No.1

2. Ledger Accounts Form.II.

3. Accounts Slip (Form.IV). (Ids.II/GPF/WC/1-2/63-64/900 dt.28th March, 1964).

88. G.P.F. Accounts of Workscharged establishment.XX.

89. G.P.F. D.A.50% recovery from non-regular subscribers Accounts, of work-charged establishment.

1. Provident Fund Ledger Account. (Form No.I)

2. General Index Register (Form No.II)

3. Broadsheets of the (Form No.IV)

4. Statement showing the total debits and credits on accounts of GPF Account (Form No.5)

5. Accounts Slip (Form No.VI) (G.O.Ms.No.12 Fin.(Pension.I) Dept. Dt. 22nd January, 1986.

90. Register for watching recoveries of festival advance give to work-charged establishment.

91. Service Rolls and increment certificates of provincialise work-charged establishment.

92 Register of incumbents of Gazetted Officers (Andhra Public Works Department Code paragraph .358) and the other Staff.

93 Pay and Travelling Allowances Bills (Office Copies).

94. Acquittance rolls for pay & Travelling Allowances.

95 Amanath Register for and disbursed pay & T.A.

96 Contingent Registers.

97 Register of distances.

98 Register of Duplicate Keys.

99 Register of Service Books.

100 Service Books including service registers and service sheets of workmen in the P.W. Workshops in the state.

101 Service Postage Accounts.

102 Register of Trunk Calls.

103 Register of Increments.

104 Register of Stock Forms.

105 Fortnightly progress reports of S.E's & Journals of A.E's.

106 Register of Register.

- 107 Codes & other books of references for office use as well as those supplied to the Divisional Accountant as personal copies .
- 108 Circulars.
- 109 Test Audit Notes of previous Inspection.
- 110 Rental Schedules.
- 111 Register for watching recoveries of Court attachments orders from members of establishment.
- 112 Capital & Revenue Accounts of Buildings (Latest).
- 113 Handing over Reports of Officials holding stores.
- 114 Check of data statements furnished by the Division/Circles Office for fixation of hire charges.

ANNEXURE VI

(Referred to in para 13.4.7 of this Manual)

BRIEF AND COMPREHENSIVE NOTE ABOUT THE WORK IN THE DIVISION

1. Principal sources of revenue progress of collection and realisation of Rents etc.
2. Nature of works under taken in the division
3. (a) Mode of execution of the work with special reference to type of contracts to end reasons if any, for adopting a particular type in preference to others.
(b) Important works under taken.
(c) State of initial accounts M. Books Works-abstracts and contractors balances.
(d) Progress of expenditure.
4. Miscellaneous.
(a) Extent and efficiency of Internal check of account.
(b) Other items.

Camp.

Dated.

Inspecting Officer/PWIP.

Office of the Principal Accountant General, (Audit), TS, Hyderabad.

By Registered Post.

No. PWIP. Dated:- -199

From

Inspecting Officer,

P.W. Inspection Party No.

C/O

To

The Sr, Dy. Accountant General (ES-I),

I.R.Cell Section,

O/O The Principal Accountant General (Audit),

TS, Hyderabad.

Sir,

Sub:- Inspection Report on the accounts of

I am to forward herewith the following documents relating to the inspection of the above mentioned division/office conducted during the period from

1. Draft Inspection Report (Induplicate). () Pages

2. Test Audit Notes (Induplicate) -do-
3. Rough Notes (Hms, Irs, etc.). -do-
4. Forwarding Notes. -do-
5. Brief and comprehensive Notes. -do-
6. Proforma . I. -do-
7. Proforma II. -do-
8. Proforma. III. -do-
9. Allocation of Work. -do-
10. Material file of work. -do-
11. Special Notes/Report. I. -do-
12. Special Notes/Report. II. -do-
13. Special Notes/Report.III. -do-

Yours faithfully,
Inspecting Officer/PWIP.

P R O F O R M A - I

1. Name of the division inspected.
2. Dates of Audit.
3. Months selected for detailed check.
4. Name of the Inspecting Officer.
5. Name of the A.A.O./S.O.
6. Name of the Auditor.
7. Nature of work allotted and completed by each member of the party (I.O., A.A.O., S.O. and Auditor).

Sl. No

Name and Designation

Work allotted & completed Full Signature Initial

- 1.
- 2.
- 3.
4. As per the allocation sheets enclosed.

Camp.

Dated.

Inspecting Officer/PWIP.

C E R T I F I C A T E

Certified that the checks prescribed in C&A.G's Lr.No.48/TA.I/2-79 dated 17-01-1979, IRC.I/79-80/15-16/76 dt. -07-1979 in respect of the workdone by Auditor have been exercised.

Certified that:-

1. The nominal Audit of Pay & Allowances has been conducted for the month in accordance with the instructions of C&AG's Secret. Circular Lr.No.102/Sec./146-P.W.9-II dt 20-03-1990.
2. Office copies of the bills and acquittance in respect of Pay and Allowances of Establishment have been checked for the month/months selected for test check.
3. Supplemental and arrear claims of the members of the Establishment for the periods from the date of last audit to date have been generally examined and a detailed test check conducted in respect of such claims for the month/months selected for detailed audit.
4. Twenty percent (20%) of (a) cases of increments sanctioned to the members of the Establishment of the Office audited and (b) cases of fixation of Pay & promotion or reversion during the period from the date of last audit to-date have been test checked.
5. Verification of Remittances has been conducted for the month vide separate list as per CAG's Circular No.8-AC.II/90-369/102-AC.II/80 dated 28-05-1990.

Inspecting Officer/PWIP. No.

P R O F O R M A - I I

List showing records and Vouchers etc. brought from Headquarters.

Sl.No. Particulars of records etc. Put to use.

- 1.
- 2.
- 3.
- 4.

List showing records and documents checked.

Date Sl. No.

Name of record/documents

Extent of percentage of audit checked and progress of audit conducted.

Reference to the IR/TAN para.

- 1.
- 2.
- 3.
- 4.
- 5.

Dated Signature of Section Officer/ Asst.Audit Officer.

Remarks of the Inspecting Officer.

Camp.

Dated.

Signature of the Inspecting Officer/

P.W.I.P.

PROFORMA III

Forwarding memorandum to Inspecting Officer's Inspection Notes

(Vide Para 489 of W A D Manual).

1. Name of the Division.
2. Name of the Inspecting Officer.
3. Name of the Asst.Audit Officer/S.O.
4. Name of the Auditor.
5. Period embraced in the Inspection generally.
6. Date of Inspection from To....
7. (1) Executive Engineer Incharge.
(2) Divisional Accounts Officer(W) incharge.
8. Whether the documents required from the Central Office were received in time.
9. Whether all the documents for inspection were produced by the Divisional Officer.
10. Name of Works analysed.
11. Months of account now audited.
12. Months marked by Central Office for scrutiny during inspection.

NUMBER RESULT OF SCRUTINY

I. I.

II. II.

III. III.

IV.

13. Last inspection by A.G.

I. Name of the Audit Officer/A.A.O.

II. Period of Inspection From To

14.

Sl. No

Constitution of division

Name of Sub-Division.

Last Inspection by the E.E.

The Divisional Accounts Officer

1.

2.

3.

4.

5.

6.

7.

8.

15. (a) Is the Clerical Establishment of the divisional Office equal to or in excess of requirements.

(b) Is the divisional Accounts Officer recognised as the Head of the Office Establishment.

16. Any suggestion for reducing the work that is superfluous or any other useful suggestion (Para 769 of MSO (Tech)).

17. Points outstanding in the previous reports of Accountant General, Superintending Engineer, Executive Engineer etc.

No. Of Reports No. of Paras Reasons for delay in disposal

1. Accountant General's Inspection

(a) I.R.

(b) TAN

2. Superintending Engineers Inspection Reports.

3. Executive Engineer Inspection Reports.

4. Divisional Accounts Officer's I.R

(Extract of important points to be prepared and attached to the inspection report and other points settled on the spot and report sent to this Office).

18. State of initial audit by the Divisional Accounts Officer(W).

Sl. No

Name of Documents Audit that should have been completed.

Actually completed up to.

Remarks.

1. Cash Book/Vouchers.

2. Materials-at-site Accounts

3. Work abstract

4. Tools & Plants Monthly Annual

5. Inspection Bungalow furniture etc.

I. Monthly

II. Yearly (31st December).

6. Stock

I. Monthly 31st March.

II. Half--yearly, 30th Sept.

7. Road Metal Accounts.

I. Monthly

II. Yearly (31st March).

8. Fee Book

9. Result of review of Divisional Accounts Officer's Audit.

10. (a) Review of M.Books

No.of Books due for review & record.

(b) Review of cheque books

No. of books due for review & record.

(c) Review of receipt books from (a) and (b)

No. of books due for review and records.

11. Are accounts and replies to audit notes etc. received promptly from sub-Divisions?

(Mention cases of delay over 6 months).

12. Items of works carried out personally by the Inspecting Officers.

Sl. No.

Name of Work.

Reference to paragraphs to the Inspection Reports.

I. Review of all regular contract and percentage of other agreements made since the last inspection.

II. Review of the register of Revenue other than rents including review of the procedure for its assessments and realisation.

III. Review of the system and extent of check measurements by Divisional and Sub-Divisional

Officers and review of the

IV. Review of the balances of stock the system of acquisition and verification of stores.

V. Review of the accounts of manufacture operations.

VI. Review of the banking arrangements to see that they are generally satisfactory.

a) In whose custody the current cheques books are kept and by whom cheques are filled in

b) What stock of blank cheque books and receipt books in on hand? Where the balance of books are kept, balance books in stock should be verified and.

c) Whether the certificates of accounts of cheques is only recorded by the drawing officer in each Cheque Book,

VII

Review of the cash books including a review of the arrangements for the custody of cash and of withdrawals of money from the cash chest.

IX. General review of the accounts of works (the nature and extent of detailed scrutiny to the Inspecting Officer may be mentioned here).

X. Review of the following registers and accounts (the nature and extent of the cheque by the Inspecting Officer may be mentioned here).

a) Muster rolls.

b) Transfer entry book.

c) Suspense and deposit registers.

d) Register of rents of buildings and lands.

e) Schedule of rates

f) Log Books and Log extract.

g) Establishment (Works).

h) Arbitration awards.

20. Did the Inspecting Officer carryout any other item of work which he considered essential.

21. Did the Inspecting Officer satisfy himself that the staff carried out inspection of accounts and records as prescribed in the WAD Manual.

22. Inspection completed on.

23. Report discussed on.

24. Reference to paragraph which have been either modified on deleted as a result of discussion.

25. Does the Inspecting Officer consider any amendment to WAD manual necessary? If so to what extent and to which para?.

26 a) D.O. Letter Nos in which Factual Notes on the objections raised in local audit was forwarded to the Accountant General.

b) Whether it is a Nil D.O. Letter or any paragraphs were forwarded.

27. Address of the Controlling Officer to whom a copy of the Inspection Report is to be forwarded.

Camp.

Dated.

Inspecting Officer/Asst.Audit Officer.

ANNEXURE - VII
(Referred to in Para 13.9.13)

REVISED ESTIMATES -MAJOR IRREGULARITIES - REMEDIAL MEASURES.

1. Inadequate Investigations: - Most of the schemes are not thoroughly investigated in respect of the site condition and the estimates are prepared in a slipshod manner whereby important items of work which should have been included in the estimates are omitted.

A careful study of site conditions during the detailed survey will give proper assessment of the situation in order to make adequate provision to suit the site conditions. Through hydrological studies in respect of irrigation schemes are most essential to assess correctly the potentialities of the scheme before taking up the surveys, in order to avoid changes at a later stage. Modern geophysical instruments may be used to ascertain quickly the rock levels during preliminary survey and the same may be verified by duly conducting clay drill core boring during the detailed survey in order to ensure the availability of sound rock at an economical depth and to avoid the change of the scope of the scheme or the site at a later stage on account of the non-availability of sound rock for foundations.

The block levelling and preparation of block plan will be helpful to finalise the alignment of branch canals and major and minor distributaries and to localise the available commandable ayacut and to avoid alterations at any stage. In respect of the main canals and branches, and major and minor distributaries detailed survey up to the last block (of 100 acres limit) is necessary to provide fairly correct assessment of the provisions, regarding (i) L.A. (ii) Head Sluices (iii) Drops (iv) C.D. Works (v) Bridges etc., and of their correct positions in order to avoid any excess at a later stage. In addition, the evaluation of site conditions during the detailed investigation is very necessary, in order to have an idea of the availability of local materials and skilled and unskilled labour and to assess the necessity for the importation of additional labour required for the works and to work out the probable cost towards their transportation charges and their amenities. Detailed investigation will help in real savings of money and time ultimately.

Detailed estimates should be prepared before according administrative sanction in accordance with the instructions issued in Government Memo No. 1762/N2/68-2, dated 25th May, 1968. The Chief Engineers should personally inspect the site of projects costing over Rs. 10 lakhs before according technical sanction according to the instructions issued in G.O. Ms.No.1467, P.W.D., dated 16-05-1959 (vide Govt. Memo. No. 258/6627/P.W.D., dated 12-02-1969).

2. *Improper Estimating*:- Mistakes are noticed in working out the quantities and rates of items of work. Sometimes important items of work also are omitted while preparing the estimates, due to lack of knowledge and experience and due to carelessness. Inspection of site and scrutiny of data by Superintending Engineers, similarly as in the case of works costing over Rs. 10 lakhs which are reported to be inspected by Chief Engineers will help correct preparation of workable estimates with adequate and reasonable rates. Correct provisions for all the items necessary for the work and correct preparation of data for a work is possible only, if the officer has an intimate knowledge of how exactly the work is to be executed. Failure in this regard results in preparation of defective estimates leading to upward revision later.

Excesses in revised estimates are not only due to the increase in the cost of materials and labour rates but also due to the following factors:-

3. *Change in Specifications*:- In some estimates, etc., surki mortar originally proposed in the sanctioned estimate is changed to cement mortar during execution, due to the non-availability of good surki in the locality thus resulting in excess expenditure.

It is necessary to study carefully the site conditions and the availability of local material and to adopt suitable specifications to avoid changes at a later stage. Departmental Officers should not change the specifications during execution without the prior approval of the authority who has sanctioned the technical estimate and also the authority competent to sanction the revised estimate if the extra expenditure involved necessitates preparation of a revised estimate. The change in the specification should not be proposed unless it is economical or unavoidable.

4. *Change in quarries and leads of materials*:- Sometimes the excess in the estimate is reported to be due to increase in leads of materials on account of the quarries originally adopted not yielding the required quantity of materials. Necessity for change in quarries arises only if the quarries are not investigated properly in the first instance and the quarries adopted in the original estimate are not live ones. So it is necessary to study the site conditions carefully and propose good and live quarries which yield adequate materials. Suitable for the work so as to avoid change of quarries with increased leads for material and consequent increased rates. Instructions issued in Government Memo No. 1611-Y/67-19 , P.W.D., dated 18-03-1969 for maintenance of a Road Metal Rate Book should be followed scrupulously. Failure of officers to attend to this important item should be seriously viewed.

ANNEXURE - VIII

(Vide Para 13.12.1)

Rules for the Opening of Co-operative Stores and Co-operative Societies in Government Buildings.

1. Accommodation can be provided in Government owned buildings for the location of the Co-operative Societies, run by and for their employees, in its premises wherever is possible. The rent for the buildings so occupied will be fixed by the Executive Engineer, R&B Department in accordance with para 275 of „D“ Code and collected by him.
2. If the accommodation is not available in the building, land within the compound of the building can be allotted subject to the condition that the Co-operative Stores or Co-operative Society authorities should construct temporary structure with their own resources with fire-proof materials, and the structure that is proposed to be constructed should be got approved by the E. E (R&B) and the municipality concerned. In such cases E.E., R&B. should fix the ground rent as per para 172 of ‘D’ Code and collect the same. No compensation will be paid by the Department concerned for the structure erected by them at the time of vacating the premises. No accommodation can be provided for Non-Registered Societies or Stores in the office premises.
3. The authority for allotting either the portion of the building or land within the compound of the office building is the Head of the Office or the Institution subject to appeal to the Head of the Department concerned whose decision will be final. The Society or Stores has to enter into lease agreement with the E.E., R&B. concerned in the form prescribed in the A.P.W.D. Code.
4. Lease cannot be granted for more than three years at a time and no clause be incorporated either in the allotment order or in the lease deed that the lease will be extended after lease period is over.
5. The Society or Stores has no right to sub-let the building or land leased to them and it should not be utilised for purposes other than the one for which the grant was sanctioned.
6. The authority who is competent to grant the lease must include a clause in the allotment order that lease may be terminated on three months notice if the premises is required for Government purpose.
7. In case of violation of rules of allotment orders, lease can be terminated with one month’s notice.

8. The Society or Stores will have to make their own arrangements for furniture, etc., for their use, and the concerned office does not supply any furniture even for temporary use.
9. The Co-operative Stores or Co-operative Society must pay to the institution or the office for the water and electricity that may be supplied and consumed by them as per the sub-meter readings at the rates charged by the supplier from time to time. All expenses for fixing meters will have to be borne by them.
10. The Co-operative Stores or Co-operative Society should not be kept open during the office hours. No alcoholic drinks and explosive articles shall be permitted for sale by them, even with proper license.
11. The Head of the office or the Institution will undertake no responsibility to collect or recover the amounts due from the Government employees.
12. The rules can be amended, altered or added from time to time by the Government and such amendments shall be binding on the lessee.

ANNEXURE IX
(Referred to in para 13.16.15)

Register to watch Receipt/Issue of Inspection Reports.

Sl. No.

Name of the Inspecting Officer

Office Inspected

Date of completion of inspection

Date of receipt of Inspection Report from the Inspecting Officer

Date of passing by DAG(ES-I)

Date of despatch to the Department

Particulars of reminders to the department

Date of receipt of replies

Remarks

ANNEXURE X

(Referred to in para 13.16.16)

Progress Register of Settlement of Inspection Reports.

Office Inspected

**Date of completion of Inspection No. &
date of letter forwarding the Inspection Report.**

Date of receipt of first reply.

No. & date of issue of rejoinder

**Watch of receipt of subsequent replies from the Department
(specify action taken).**

Reference to Para No., etc.

Gist of the para Remarks.

CHAPTER - 14

WORLD BANK/EXTERNALLY AIDED PROJECTS

14.1. INTRODUCTION

14.1.1 BACKGROUND

The central purpose of the World Bank - which includes the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) - is to promote economic and social progress in developing member countries. To carry out its purpose, the Bank:

- Lends funds
- Provides advice
- Stimulates investments by others

14.1.2 WORLD BANK LENDING

The Bank provides assistance to developing countries in many different sectors, where adequate

capital from other sources was not available on reasonable terms. In so far as the Works Group is concerned, the following projects have been covered by World Bank Assistance.

- (i) *Water Sector Improvement Project (TSWSIP)*
- (ii) *Road Sector Project (TSRSP)*
- (iii) *National Hydrology Project (NHP)*
 - (a) *Surface Water*
 - (b) *Ground Water*
- (iv) *Irrigation and Livelihood Improvement Project (TSILIP)*
- (v) *Community Based Tank Management Project (TSCBTMP)*

14.2 FUNDING PATTERN

14.2.1 There are two categories of funding namely- i) Loans by IBRD ii) Credit by IDA

14.2.2 IBRD loans are made either directly to a member government or to an entity guaranteed by that government. IBRD loans are generally repayable over 15 to 20 years with a grace period of 3 to 5 years. Their interest rates are related to the cost of IBRD borrowing, and an annual commitment charge of up to 0.75 percent is levied on their undisbursed balance.

14.2.3 IDA credits are made to member governments only and are repayable over 35 or 40 years, with a grace period of 10 years (IDA credits approved before June 30, 1987 are repayable over 50 years). They carry no interest but there is an annual commitment charge of up to 0.5 percent on the undisbursed balance, and a 0.75 percent service charge on the amount disbursed and outstanding.

14.2.4 Generally, payments made before the loan agreement was signed are not eligible for financing. However, in some cases the loan agreement contains a retroactive financing provision, the expenditure of which was considered as eligible one. In accordance with para 30 of the Memorandum and Recommendations of the President of the World Bank (IBRD and IDA), retroactive financing is reimbursable by the Bank for eligible expenditure up to the prescribed limits.

14.2.5 According to Section 2.03 of Development Credit Agreement, a specific closing date would be assigned by the Bank for withdrawal of funds. However, the Bank would promptly notify the Borrower of such later date of extension allowed.

14.3 CATEGORIES OF ITEMS TO BE FINANCED (Withdrawal of proceeds of the loan)

14.3.1 The following are the categories vis-à-vis classification of items to be financed out of the proceeds of the loan -

Category Classification of expenditure

1. Civil Works In addition to the expenditure on the works done, advertisement charges for tender notices in News papers, cost of printing of tender documents, work charged establishment including labour charges, purchase of ammonia paper/rolls/liquid are to be included.

2. Goods Procurement of computers, Xerox machines, Vehicles, equipment and material connected to the scheme.

3. Consultants' services, Studies and Training Cyclone and flood management studies towards equipment, preparation of Hazard maps, Coastal mapping.

4. Incremental operating costs Expenditure on project implementation, Management and

Manufacturing, Office supplies, Office space, Administration, Vehicle operation, Travel and supervision costs and Salaries of additional staff for DMU of the Project.

5. Others (non-reimbursable items)

Expenditure incurred on the following items are not reimbursable from World Bank (Non-S.O.E)

- i) Expenditure on payment of land compensation
- ii) Sales Tax/Goods and Service Tax
- iii) Transportation charges for goods
- iv) Insurance

(Authority: F&P (Fin DMU Department) Memo No.1254/Fin DMU/97-1 dated 25-10-97)

14.3.2 PROCUREMENT OF GOODS, WORKS AND SERVICES

In most cases International competitive bidding in effective methods of procurement.

However,

sometimes it may not be economic and efficient. In such cases the borrower and Bank may agree to other mode of bidding namely i) competitive bidding advertised locally and following local procedures ii) local or international shopping iii) direct purchasing.

14.4 ACCOUNTS AND AUDIT

14.4.1 The project accounts would be maintained under separate heading/appropriate sub-headings by each department or agency. The accounts prepared by each participating department/agency will be consolidated by the "A.P. Disaster Management Unit" (DMU) or "Project Monitoring Unit" (PMU) at Secretariat level. Each department should submit required documents to the above departments of Secretariat for all non-SOE expenditures, and retain the necessary documents (Vouchers) for all SOE expenditures for inspection by the Bank and for audit.

14.4.2 The agreements for loan/development credit entered into by the International Bank for Reconstruction and Development (IBRD or World Bank) and International development Association (IDA) with the Government of India for financing development projects to be implemented by the departments of the Central Government, State Governments, Public Sector Undertakings and autonomous bodies etc., include specific covenants, for Accounts and Audit. These covenants inter-alia provide that the Government or the Project entity shall a) maintain records and accounts adequate to reflect in accordance with sound accounting practices, the operations, resources and expenditures in respect of the projects b) have the records and accounts of the projects for each fiscal year audited in accordance with the appropriate auditing principles consistently applied by independent auditors acceptable to the Bank, c) furnish to the Bank before the specified date, a certified copy of the report of audit referred to in paragraph "b" by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, and d) for all expenditures in respect of withdrawals made on the basis of Statement of Expenditure (without documentation), furnish the report of audit referred to in paragraph "b" as containing a separate opinion by the independent auditors as

to whether the Statements of Expenditure, together with the procedures and internal controls involved in their preparation, can be relied upon in support of such withdrawals.

14.4.3 The World Bank has accepted the CAG of India to be an Independent Auditor for the purpose of certification of accounts and issue of audit certificates in respect of projects being executed in India with World Bank financial assistance. An Integrated Audit Certificate is to be issued by the Principal Accountant General (Audit) to the project authorities for onward transmission to the Bank by the date specified in the agreement in the prescribed form **(Annexure I)** based on irregularities noticed in Central Audit as well as Local Audit in relation to the accounts of these projects.

14.4.4 The annual accounts to be certified are the annual expenditure statements in respect of projects executed by Government Departments and the Accounts that are certified by us as sole auditors in respect of projects executed by other bodies and authorities. The Integrated Audit Certificate is considered adequate for the purposes of the World Bank and it would not be necessary for the Bank to await the Audit Report of the CAG to be submitted to the Legislature. As the audit certificate is not to be published and is in the nature of a document exchanged between the clients and the Bank, this certificate should indicate, in brief the amounts held under objection in relation to wanting vouchers, DC Bills, sanctions etc., and misclassification, defalcation, overpayments etc., that come to notice.

14.4.5 The project authorities are required to furnish the Accounts/Statements of Expenditure (SOE) for audit within a specified period. After verification and reconciliation of expenditure in A&E Office the reconciled accounts/statements are passed on to this office mentioning each category of objection and amount thereof as per their records for the purposes of issuing Audit Certificate taking into cognisance of irregularities noticed in Central Audit as well as Local Audit. To facilitate the timely issue of Audit Certificate, the irregularities noticed in Central Audit as well as Local Audit in relation to these projects should be distinctly recorded and separate files for certification and issue of audit certificates in respect of each project be maintained. In cases where for some valid reasons it is not possible to certify together with the accounts and the Statements of Expenditure within the specified period, the Statements of Expenditure should be certified separately adopting suitably the relevant portion of the prescribed form of the Audit Certificate, in time. (Para 3.16.22 of MSO [Audit])

14.4.6 The overall objective of the audit of 'Project Specific Financial Statements' (Annual accounts) is to determine whether the statements fairly represent the true state of accounts for the period to which they relate and that the reported disbursements were made in accordance

with the loan agreement. The SOE audit is compliance in nature. The primary objective of this audit is to ascertain that the entire expenditure for the financial year for which the SOE relates is supported, by documentation (Vouchers) and the prescribed audit certificate provides for summarising the total expenditure audited (giving reference to reimbursement application numbers and the amount of each application) and any exceptions noted. As any exceptions or disallowed expenses by audit will offset against future disbursements of the loan, auditing and certification of expenditure statement relating to externally aided projects should receive utmost care. The word 'disallowed' should not be used for unadjusted advance payments made to contractors in connection with the cost of goods, works services covered by the contract for mobilisation and similar expenses. The basic requirements and the audit procedures to ensure completion of the audit activity in accordance with the recognised auditing standards are outlined below;

The parties entrusted with the audit of EAPs are required to go through thoroughly

- (i) Project agreements
- ii) Loan agreements
- iii) Development credit agreements
- iv) Project appraisal document
- v) Minutes of negotiations
- vi) Staff appraisal report (SAR)
- vii) Action Plan
- viii) Paragraphs 3.20 to 3.26, 5.9 to 5.11, 6.24 Chapter 8, 9.1 to 9.5 and Schedule I of

Disbursement Hand Book. (extracts appended at the end of the Chapter –

Annexure VII)

14.4.7 Items not eligible for reimbursement

- i) Items not within the project and category defined in the loan agreement.
- ii) Items not provided in accordance with guidelines.
- iii) Payments made or due for goods, works and services provided after closing date.
- iv) Land acquisition payments
- v) Late payment penalties imposed by suppliers unless the penalties were incurred in connection with a disputed payment which was under arbitration.
- vi) Advance payments - Except mobilisation/secured advances paid to contractors.
- vii) Self insurance paid in local currency, unless explicitly provided for in the loan agreement.

- viii) Customs duties, other taxes, Seigniorage charges and NAC charges etc imposed by borrowing member country provided the reimbursement percent is 100. (in other words if the reimbursement percentage is less than 100, all the above duties and taxes are eligible for reimbursement).
- ix) Local freight charges for imported goods unless provided for in the schedule I to the loan agreement.
- x) Duplicate invoices.
- xi) Expenditure incurred prior to the date of retro-active financing period.
- xii) Expenditure relating to Non-plan including outstanding liabilities to be met from regular budget.
- xiii) Price adjustment paid for goods to be supplied or works to be completed within eighteen months (World Bank letter dated 28-11-2001)
- xiv) Refund of performance security/EMD collected from the contractors
- xv) Unspent balances if included in SOE.
- xvi) Terminal benefits of the employees such as gratuity, leave encashment on retirement etc.
- xvii) Vouchers not produced for verification
- xviii) Excess payments/over payments

14.4.8 The audit of accounts of World Bank/Externally Aided Projects for each financial year under the auditorial jurisdiction of the respective group officers shall be arranged with effect from 1st June of next financial year so as to enable EAP Cell to issue Audit Certificates before 31st December.

(CAG D.O.Lr.No.1036/Audit-II/2-96 dated 12-10-99 in respect of 1999-2000 loan adopted and file No.CWAC/A/15-556A/99-2000)

14.4.9 The Audit Certificate should be issued in the proper printed letter head and signed by the designated officer not below the rank of DAG. The name and designation of the signatory should be legibly typed below the signature.

14.4.10 ES-I Coordination section should furnish the following information/particulars relating to World Bank/Externally Assisted Projects to EAP Cell for finalisation of Audit Certificate

- a) Statement of expenditure (Category/Component wise) - **Annexure V.**
- b) Statement of Actual expenditure as checked/verified in audit by the audit party (Category/Component wise) - **Annexure II.**
- c) Statement of disallowances made in audit (Category/Component wise) - **Annexure III.**
- d) Statement showing detailed head-wise expenditure incurred during the financial year i.e., detailed heads 010, 011, 018, 020, 040, 045 and so on - **Annexure VI.**
- e) Statement of departmental figures i.e., withdrawal of funds during the financial year by the various drawing officers through concerned Revenue Head, Capital Head and Loan Heads of Account and figures as booked by A.G(A&E) - **Annexure IV.**
- f) Statement showing the details of claim applications number, amount claimed and amounts reimbursed by World Bank/Externally aided agency.
- g) Statement showing the details of mobilisation/secured/material advances pending adjustment to end of financial year.
- h) Statements showing the details of outstanding paras of previous years such year of the IR, Gist of the Para, latest reply of the department and remarks of the Sr.AO/AO of the audit party. A specific recommendation of the SAO/AO relating to the amount to be released for reimbursement, if any, may be mentioned.
- i) Information regarding the 'goods ' purchased relating to Foreign or ex-factory cost or locally procured/purchased should be clearly furnished.
- j) Audit certificate proforma Annexure-I, should be furnished duly filling up the relevant columns.

(EAP Circular dated 21-5-2001)

Annexure - I
(Referred to in Para 14.4.3)
AUDIT CERTIFICATE

The Expenditure Statement/Financial Statement relating to the project
..... (Loan/Credit No.)
for the year attached hereto have been audited in accordance with the regulations and standards of audit of the Comptroller and Auditor General of India and accordingly included such tests of accounting records, internal checks and controls and other auditing procedures necessary to confirm

- a) that the resources were used for the purpose of the project; and
- b) that the expenditure statements/financial statements are correct

During the course of the audit referred to above, Statements of Expenditure each Application No. and amount to be indicated and the connected documents were examined and these can be relied upon to support reimbursement under the aforesaid loan/credit agreement.

Gross amount shown in the above mentioned Statement of Expenditure includes advance(s) paid

to contractor(s) Rs. (Rupees
..... only) which is still pending adjustment.

On the basis of the information and explanations that have been obtained as required and according to the best of our information as a result of the test audit, it is certified that the Expenditure Statement/financial statement read with the observations set out below represent a true and fair view of the implementation (and operations) of the project for the year

This certificate is issued without prejudice to Comptroller and Auditor General's right to incorporate any further/detailed audit observations if and when made in the Report of Comptroller and Auditor General of India for being laid before Parliament/State Legislature.

Signed.....

(Name and Designation)

Annexure - II

(Referred to in para 14.4.10)

STATEMENT SHOWING THE DETAILS OF EXPENDITURE INCURRED I.E.,
CATEGORY-WISE, COMPONENT-WISE UNIT OFFICEWISE/DISTRICT-WISE FOR
THE YEAR IN RESPECT OF WORLD BANK
ASSISTED/EXTERNALLY AIDED PROJECT

.....

..... (Cr.No.)

Sl.No. Category/Component SOE figure

Rs.

Actual Expenditure as verified in Audit Rs.

Expenditure disallowed in Audit Rs.

Expenditure admitted in Audit Rs.

Percentage admissible as per agreement Amount reimbursable Rs.

Annexure - III
(Referred to in para 14.4.10)

STATEMENT SHOWING THE DETAILS OF DISALLOWANCES MADE FROM THE EXPENDITURE
INCURRED DURING THE YEAR IN RESPECT OF WORLD
BANK/EXTERNALLY AIDED PROJECT

.....

.....(CR.No...../Loan No.....)

Sl.No. District/Unit office Reasons for disallowance

Page No.

Amount Disallowed

Rs.

ANNEXURE-IV
(Referred to in Para 14.4.10)

Statement showing the booked figures of A.G (A&E) and departmental figures for the year
..... in respect of World Bank/Externally Assisted
.....
..... Project (Cr. No.....)

Major Head of Account Booked figure of A.G(A&E)

Departmental figures Rs.

The difference of Rs has to be reconciled by the Department.

D.A.G(ES-I)

Annexure - VI
(Referred to in para 14.4.10)
(to be furnished by Department)

DETAILED HEAD OF ACCOUNT-WISE EXPENDITURE ON THE WORLD BANK
ASSISTED PROJECT" FOR THE YEAR AS PER THE
RECONCILIATION OF DEPARTMENTAL EXPENDITURE

Head of Account

Expenditure

Revenue Major Head

Detailed Head Account

Capital Major Head

Detailed Head of Account

Loans Major Head

Detailed Head of Account

Total Expenditure:

Annexure - V
(Referred to in para 14.4.10)
(to be furnished by Department)

STATEMENT OF EXPENDITURE (CATEGORY/COMPONENT-WISE) IN RESPECT
OF THE WORLD BANK ASSISTED PROJECT

..... FOR THE YEAR

Sl.No.

Reference to application

No. , Date & Amount

Reference in which the application was sent

Category-wise expenditure claimed

Total Reference in which the reimbursement was received

Amount of reimbursement

ANNEXURE - VII
(Referred to in para 14.4.6)

Important provisions of Disbursement Hand Book of World Bank

3.20 The Bank does not finance customs duties and other taxes imposed by the borrowing (or guaranteeing) member country. This policy is applied by selecting items to be financed and setting eligible disbursement percentages so that the overall level of Bank financing excludes taxes. In the case of imported goods bought locally, the Bank usually disburses a percentage of the purchase price (generally stipulated in schedule I to the loan agreement) in order to avoid disbursing against duties or taxes. Similarly, the local cost component of contracts for works is usually financed at less than 100 percent to exclude taxes. For locally manufactured goods purchased directly from the factory, no adjustment to the disbursement percentage is made in order to exclude financing of customs duties or taxes on imported components entering into the cost of a final product.

3.21 The bank does not normally finance the following:

- goods and services from non-member countries
- items not within the project and category description defined in the loan agreement
- items not procured in accordance with Guidelines: Procurement under IBRD Loans and IDA Credits and consultancy services not contracted in accordance with Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency and with the specific provisions in individual loan agreements
- payment made or due for goods, works, and services provided after the closing date
- land acquisitions (although, in very rare cases, an exception may be approved by Bank management)
- late payment penalties imposed by suppliers, unless the penalties were incurred in connection with a disputed payment which was under arbitration
- excessive advance payments (see para 8.13)
- self insurance (see para 3.26)

3.22 Freight charges in foreign exchange for imported goods are eligible for financing when goods are carried in vessels of member countries (subject to restrictions outlined in para 3.24 in the case of the borrower's national lines). The Bank also finances freight charges on goods procured in a member country and shipped on a vessel chartered to a firm in a member country, regardless of ownership or registry of the vessel, so long as the freight was paid to that firm. In case of doubt about eligibility, consult the Bank before incurring significant charges.

3.23 Freight charges on vessels from non-member countries may be eligible for Bank financing when the owners are full or associate members of conference line, participate in the Conference's revenue-sharing arrangements and member country shipping lines hold the major share in the conference. For example, these freight charges are eligible when the goods are carried by vessels of the following three conferences:

- India/Pakistan Conference
- India/Burma/Bangladesh/Sri Lanka Conference
- East Africa Conference.

3.24 A borrower who wants to arrange transportation and/or insurance exclusively by a national line or firm should invite bids on both CIF (cost, insurance, and freight) terms, permitting shipping and insurance by any eligible source, and on FOB (free on board) terms. CIF prices are used to evaluate bids. The borrower can choose to contract on FOB terms and arrange freight and insurance with a national company. Disbursements then would be limited to CIF price quoted by the winning bidder. If the cost of transportation and/or insurance is greater than that of the winning bidder by more than 15 percent, the entire transportation and/or insurance cost must be borne by the borrower.

3.25 Local freight charges for imported goods are not eligible for Bank financing, unless provided for in Schedule I to the loan agreement.

3.26 The borrower, not the Bank, must be the beneficiary of insurance policies. Premiums paid in foreign exchange are eligible for Bank financing. Self insurance and premiums in local currency are ineligible, unless explicitly provided for in the loan agreement.

5.9 Loan agreements require that borrowers maintain separate records of amounts withdrawn on the basis of SOEs. Borrowers must also retain independent auditors (see Chapter 9) to give a separate opinion or carry out a separate audit on the adequacy of documents and controls on the use of SOEs. Copies of audit reports must be submitted to the Bank by the date specified in the loan agreement. If the borrower does not comply with audit requirements, the Bank may exercise its right to discontinue use of the SOE procedure or to suspend disbursements. The Bank may also reject withdrawal applications for expenditures falling within defined SOE limits, even if they are accompanied by full supporting documentation.

5.10 For investment loans, and for adjustment loans where use of customs declarations has not been agreed, the borrower or project entity must retain all documentation (contracts, procurement invoices, evidence of receipt, and evidence of payment) related to withdrawals made using the SOE method in a central location for the period specified in the loan agreement.

Suitable cross-referencing systems which allow easy retrieval of these documents are essential, as these documents must be readily available for review by auditors and Bank missions. Currently, loan agreements require the borrower to retain these documents for one year after the Bank has received the audit report for the year in which the final disbursement was made.

5.11 For adjustment loans where customs declarations have been accepted as the basis for preparation of SOEs, the individual customs declarations may be retained by customs authorities. Auditors and Bank missions reviewing consistency between SOEs and these declarations must also be permitted to review the importer's records in order to examine other underlying documents.

6.24 Loan covenants specify the auditing requirements for all project accounts (see Chapter 9). Each annual audit should include a review of Special Account records to ensure that funds have been correctly accounted for and used in accordance with the loan agreement.

Chapter - 8

8.1 The procurement of goods, works, and certain types of services (such as drilling, aerophotographic surveys, and mapping) are governed by Guidelines: Procurement under IBRD

Loans and IDA Credits. The use of consultants' services is governed by Guidelines for the Use

of Consultants by World Bank Borrowers and by the World Bank as Executing Agency. These

guidelines document the Bank's requirements for procurement and the use of consultants. The guidelines are complemented by detailed provisions for their application to each operation which

are set out in the loan agreement. Those who prepare disbursement applications must understand

fully these requirements so that disbursements for procured goods, works, and services can be made efficiently and promptly. Noncompliance with the procurement procedures and failure to

send copies of contracts promptly cause most delays in disbursement.

8.2 Within the Bank, the task manager for each project is responsible for reviewing procurement decisions. The borrower should send all procurement documents, including final contracts, to the task managers. Each loan agreement specifies procurement decisions that are subject to the Bank's review before contract award, based on the value of the contract. Unless mentioned in the Procurement Schedule to the loan agreement, all consultant contracts are subject to the Bank's review. The date of the Bank's "no objection" notice for contracts above the prior review limit for goods, works and services must be indicated in any related application.

8.3 In most cases, international competitive bidding is the most effective method of

procurement. The Bank may allow preferences for domestic or regional manufacturers and, where appropriate, for domestic contractors under certain conditions., However, sometimes international competitive bidding is not the most economic and efficient method. In such cases

(see para 8.5) the borrower and the Bank agree to other arrangements.

Note: The particular procedures for procurement are always provided in the Procurement schedule to the loan agreement.

8.4 The Bank's guidelines set out in detail the arrangements required for international

competitive bidding (ICB). Among others, they cover the following:

- type and size of contracts
- notification and advertising
- pre-and post-qualification of bidders
- bidding documents
- bid evaluation criteria

The bidding documents for ICB should include, inter alia, instructions to bidders, proforma conditions of contract, and the forms of the securities required (usually bid, advance payment and performance securities). Apart from the financial considerations (see paras 8.8 - 8.18), bidding documents should cover the following:

- bid validity
- standards
- the use of brand names
- insurance
- price adjustment
- liquidated damages
- bonuses
- force majeure
- language
- settlement of disputes

8.5 If international competitive bidding is not the most economic and efficient method of procurement or of implementing the project, other methods may be more appropriate. Examples of such procurement arrangements are the following:

- limited international bidding (by direct invitation only)
- competitive bidding advertised locally and following local procedures
- local or international shopping
- direct purchasing
- commercial practices (where the loan proceeds are onlent to the private sector)
- construction by force account

The appropriate procedures for the categories of goods, works, and services are agreed between the borrower and the Bank, and are always reflected in the loan agreement.

8.6 Procurement usually follows established commercial practices-if they are acceptable to the Bank-in the following circumstances:

- when the loan provides funds to an institution (such as an agricultural credit bank or a financial intermediary) to be on lent to beneficiaries (such as farmers or small business firms) for the partial financing of subprojects

- when the loan proceeds finance imports of the private sector (in adjustment operations)

Loan agreement usually specify, however, that large value purchases are subject to international competitive bidding.

8.7 Bidding documents always state that the proceeds of Bank loans are limited to payment for goods produced in, and services supplies from the territories of eligible countries. Hence, bidding documents require the contractor or supplier to furnish the necessary data regarding the country of origin of the goods, works, or services for statistical purposes, and to comply with this requirement.

8.8 Since bids may come from several countries, bidding documents always state the currencies in which to express bid prices. These currencies may be the following:

- bidder's own currency
- currencies in which the bidder expects to incur expenditures
- another currency widely used in international trade and specified by the borrower in the documents.

The following are special cases:

- In contracts for the supply and installation of equipment, the borrower may require bidders to state the portion of the bid price representing local costs in the borrower's currency.

- In civil works, the bidding documents may require bidders to state bid prices entirely in the borrower's currency, with any foreign currency requirements expressed as a percentage of the bid price for each currency.

8.9 Payments under each contract are normally made in the currency or currencies in which the price has been stated in the successful bid. However, if the bidder has shown the percentage

of payments to be made in other currencies (as in the civil works case above), the exchange rates

for a reference date specified in the bidding document or as stated in the successful bid (if the bidding document is silent in this respect), are used to maintain the value of the foreign currency

portions of the bid-without loss or gain.

8.10 Payment terms generally follow the normal commercial practice for the goods, works and

market in question. They are stated in the contract.

8.11 Since the Bank is not a party to the contract, the contract should not refer to it. Payments

for goods, works, and services financed by the Bank can be made by using the withdrawal procedures described in Chapters 4, 5 and 6 of this handbook.

8.12 Bidding documents contain a statement and appropriate contract clauses whenever prices

are subject to adjustment (upward or downward) because of certain events. The contract price may be adjusted if there are changes in the cost of major inputs of the contract (such as labor, equipment, and important materials), whether resulting from market forces or changes in legislation. Usually no price adjustment clauses are included in contracts for goods to be supplied, or works to be completed within 18 months*, unless the market situation calls for it at

the time. (*World Bank letter dated 28-11-2001)

Note: These provisions are sometimes called price escalation clauses.

8.13 Advance payments to be made on signing the contract (for mobilization and similar expenses) must be related to the cost of the goods, works, or services covered by the contract. They should not be excessive: usually an advance payment of 10-15 percent is considered adequate. The bidding documents should specify the terms of any security (usually a banker's guarantee) required for advance payments. Clauses should be included in the contract to deal with other advances, such as for materials delivered to the site for incorporation in the works.

8.14 Bidding documents for civil works and for supplying and installing major plants normally require some form of performance security to protect the borrower in case of breach of contract

by the contractor or supplier. This security can be the following:

- performance bond or bank guarantee (at the bidder's option), or
- enough "retention money" withheld for the contract, as specified in the bidding documents, or
- a combination of both

The performance security must last long enough beyond the estimated completion date of the contract to cover the warranty or maintenance period specified in the contract, unless a separate security is provided for this period.

8.15 In contracts for the supply of goods, the supplier or manufacturer may have to provide a bank guarantee, to guarantee performance and warranty obligations. Otherwise, a reasonable amount of retention money may be withheld, depending on the market conditions and commercial practice for this type of goods. Bank guarantees are not required for consultant contracts.

8.16 Retention monies (see para 8.14) become payable to the contractor or supplier upon successful completion of the contract, at the end of the warranty period, or on another specified date (such as one year from the date of the original invoice). Withdrawals from a loan account for retention monies can be made only after the borrower releases the funds to the contractor or supplier.

8.17 Certain countries require government agencies to deposit retention monies in an escrow account to cover future payments. However, until released, such deposits are not eligible for withdrawal from the loan account. If retention monies are deposited into an account that the contractor or supplier can draw upon after a specified period without the borrower's approval, withdrawal may be authorized but the Bank usually requires additional security in such cases.

8.18 In following this policy, the Bank upholds the principle of avoiding double financing. In the event of default or non-performance under a contract, the borrower uses funds from the escrow account or retention money account to complete the works or to repair defects during the maintenance (or defects liability) period. Such expenditures are then eligible for withdrawal.

8.19 the standard procurement procedures used for sectoral and structural adjustment loans are slightly different from those for investment (project) loans. International competitive bidding applies to large-volume procurement, above a threshold specified in the loan agreement, but ICB rules are modified by including simplifications of the bid invitation procedures, and the elimination of domestic and regional preferences. Bidders may also have to state the bid price in a single currency widely used in international trade. Payments will then be made only in that currency. Below the ICB threshold, procurement is normally carried out in accordance with procedures followed by the private or public entity handling the imports, if acceptable to the Bank.

8.20 the Bank may require trade verification in any procurement under an adjustment operation. Under this procedure, accredited agencies certify invoices for the quality and quantity of each shipment. If international competitive bidding was not used, the certifying agency may also verify that the price paid for the import was reasonable.

8.21 As for procurement of goods and works, the borrower is responsible for the process of selecting consultants. The procedures are different, however, since the selection of consultants must take into account the experience of the candidates and the quality of the services they offer, rather than the price of their services.

8.22 The Bank's objectives in the selection of consultants are to ensure that their qualifications and the terms of reference for their services are appropriate for the assignment, and that they are treated fairly. Accordingly, the Bank can approve or make comments at several stages in the selection process. The Guidelines for consultants include details on the following topics:

- types of assignments and consulting firms
- evaluation of performance
- role of domestic firms
- selection process

- terms of reference
- cost estimates
- contracts
- supervision

8.23 the most commonly used types of consultancy contract are those which are time based (e.g. staff-month charges, plus other reimbursable expenses, plus fee), or lump-sum.

Contracts specify payment provisions and many include clauses on price adjustment or contingency allowances.

Chapter - 9

Accounts and Audits

9.1 Bank lending operations, which may also involve cofinanciers, vary widely in nature, scope, and objectives. Hence, accounting systems and arrangements for accountability for resources vary widely. These arrangements are carefully considered during project preparation

and appraisal, and the specific requirements to ensure accountability and adequate financial management of each project are always set out in the loan agreement.

9.2 The Bank's Articles of Agreement require the Bank to ensure that loan proceeds are used

economically and efficiently, and only for the stated purpose. As a minimum, adequate financial

and procurement records must be consistently maintained from the start of the project, in accordance with sound accounting practices, and subject to adequate control and verification.

9.3 Project accounts must be audited each financial year by a competent independent auditor

acceptable to the Bank. The auditor is required to furnish a written opinion and report indicating

the extent to which the financial statements and supporting information provide a true and fair

view of the financial condition and performance of the project. The auditor should also provide

a separate management letter following the completion of the audit on any improvements

required in the financial systems and controls and improved use of resources. The audit reports

and annual accounts are sent to the borrower who in turn sends them to the Bank's task manager

by the agreed deadline after the close of each financial year.

9.4 Auditors must also examine the records associated with Statement of Expenditure and Special Account procedures (see paras 5.9 - 5.11 and para 6.24).

9.5 Borrowers must submit audit reports promptly. If the auditing covenants specified in the

loan agreement are not complied with, the Bank may suspend disbursements.

Note: For more complete details on accounting and auditing requirements for projects and project entities, see Guidelines : Financial Reporting and Auditing of Projects Financed by the World Bank, a booklet published by the Bank.

Schedule 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each category, and the percentage of expenditures for items to be financed in each category.

Category Amount of the Loan Allocated (expressed in U.S. dollar equivalent)

Percentage of Expenditures to be Financed

1. Civil Works 50,000,000.00 50%
2. Goods 27,000,000.00 100% of foreign expenditures, 100% of local expenditures (ex-factory cost), and 90% of local expenditures for items procured locally
3. Sub-loans 6,000,000.00 75%
4. Consultants' Services 5,000,000.00 100%
5. Training 1,000,000.00 60% of local expenditures
6. Refunding of Project Preparation Advance 1,000,000.00 Amount due under Section 2.02(c)
of this Agreement
7. Unallocated 10,000,000.00 Total 100,000,000.00

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country

other than that of the Borrower for goods or services supplied from the territory of a country other than that of the Borrower, and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in

respect of

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of US \$500,000 may be made in respect of Category 4 on account of payments made for expenditures before than date but after June 30, 1990; and

(b) expenditures under Category 3 until the conditions specified in Section 3.05 of this agreement have been met.

CHAPTER-15

COMUTERISED SYSTEMS IN AUDIT

15.1 Software Package:

15.1.1 With a view to building up suitable data base for planning of audit assignments and also effective monitoring/pursuance of the results of audit, the following software packages in relation to works audit activity have been developed:-

Sl.No.	Code Item	Description
1	AU 01	Audit Planning
2	AU 02	Profile of auditees
3	AU04	IR monitoring
4	AU06	Monitoring recoveries at the instance of audit
5	AU07	Database of sanctions

15.1.2 It is responsibility of the *ESI Coordn.* to ensure that the required date base is built up systematically and the software packages developed are put to profitable use. The user manual issued for the packages (by the Computer Cell) are to be kept in the custody of *ESI Coordn.* for reference and consultations by the user sections.

15.1.3 The common components used in the software packages namely- "Departments", "Directorates", "Sub-ordinate offices", "Districts", "Audit Section" have been codified as indicated in the **Annexure I** to this Chapter.

15.1.4 The department code is in four characters. The first two characters are numeric indicating the department. The third and the fourth characters are alphabetic, the third character representing sub-department or sub-division according to audit requirements and the fourth character the head of the Directorate namely - 'Chief Engineer', 'Director of Accounts etc. The office code also consists of four characters (all numeric), the first two digits indicating circle and the next two digits division.

15.1.5 The register of codification (Common codes) shall be maintained by the *ESI Coordn./CWAC* Section and whenever a new auditee unit is to be codified, the codification given should be entered in the register and got attested by Sr.A.O.incharge.

15.1.6 As regards codification for any particular component relevant to individual packages, the user manual concerned shall be referred to. The codification given for audit objections in Public Works audit is indicated in **Annexure-II**

15.2 Particulars to be furnished by Field Parties

15.2.1 The particulars required for date entry in respect of i) Sanctions to Projects/Schemes (ii) Technical sanctions to works (iii) Sanctions to contract agreements (iv) all other sanctions accorded by Govt./Heads of Department/Others, namely Administrative sanctions, sanctions for maintenance of Reserve Stock, sanction for sale, Write off orders, sanction for relaxation of contract conditions, sanctions for payment of special nature and other sanctions, shall be collected by the local audit parties visiting the offices of Secretariat Departments, Chief Engineers and Superintending Engineers. Sanctions with a monetary value of more than Rs.10 lakhs above will be included in data-base.

15.3 I.R. Main

15.3.1 a) Draft Inspection Reports shall invariably be accompanied by a "Data Entry Sheet" in the form as given is **Annexure III** consisting 3 formats A,B,C (IR Main).

b) The details of items I, II & III of the format 'A' are to be filled in by I.R.Cell (W) Headquarters.

c) The details of Items IV, V, VI & VII of format 'A' are to be filled in by Inspecting Officer. These should be checked and modified by IR Cell(W) Headquarters where necessary after editing of the report is completed.

15.3.2 The Data Entry Sheet shall bear the same number as that of the LAR. IR Cell shall make arrangements with computer cell to enter the date in the system already loaded. A Certificate to the effect that the date entry has been completed in respect of LARs issued to the end of each month shall be recorded over the signature of the AAO/TR Cell at the time of closing the register of LARs.

15.3.3 Whenever paras of the previous Inspection reports are settled either by audit committee or by IAU (W) Section, the details thereof shall invariably be furnished by IR Cell/ ~~IAU (W) Sections~~ to co-ordination section in the format 'B' by 15th of every month. The due date for submission of return on data entry may be noted by IAU (W) Sections in the "Calendar of returns". If the particulars for any month are 'NIL', the section shall send 'NIL' Return.

15.3.4 UPDATING

Whenever auditee unit is programmed for inspection, the data base relating to that particular auditee unit in IR Main shall be updated adopting the revised codification and the computerised list of paras outstanding communicated to the inspection party in the Format 'C'.

(Authority: Circular No.7 of CWAC in file No.CWAC/B/15-52A/98-99 dated 5-10-98)