

For use in Indian Audit and Accounts Department only

**MANUAL OF
REPORT (CIVIL) SECTION
(Second Edition 2010)**

Issued by:

The Principal Accountant General (Civil & Commercial Audit), Kerala.

PREFACE

This is the second and revised edition of the Manual of the Report (Civil) Section, after the formation of the Office of the Principal Accountant General (C&CA), Kerala.

The instructions contained in this Manual are supplementary to those contained in the various codes and Manuals issued by the Government of India and the Comptroller and Auditor General of India.

Suggestions for the improvement of the Manual are welcome and will receive careful consideration.

Report (Civil) Section will be responsible for keeping this Manual up to date.

Thiruvananthapuram.
Dated : 7.6.2010.

Sd/-
V. KURIAN
Accountant General (C&CA), Kerala

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CHAPTER – I

GENERAL

Constitution control and functions

1.01 The Reports of the Comptroller and Auditor General of India, relating to the transactions of the State are presented in different volumes. The following numbering regime has been devised by Headquarters:

- Report No. 1 - Audit Report on State Finances;
- Report No. 2 - Audit Report (Civil);
- Report No. 3 - Audit Report (Revenue);
- Report No. 4 - Audit Report (Commercial) and
- Report No. 5 - Stand alone performance Audit Reports would be numbered 5 onwards, only if Civil/ Revenue/ Commercial Audit Reports are prepared separately.

Depending on the position in each State, serial numbers 1 to 2 or 1 to 4 will remain reserved for Audit Reports that are regularly brought out each year. Subsequent serial numbers will be assigned to Stand-alone Performance Audit Reports in seriatim as indicated above.

In certain States, separate Local Body reports are being prepared. Local Body reports are a combination of transaction audit and performance audit and the reporting is of permanent nature. Hence wherever separate Local Body reports are brought out, they shall be allotted either number 3 (in the case of composite civil, revenue and commercial reports) or number 5 (in the case of separate civil, revenue and commercial reports). Stand-alone Performance Audit Reports, in such States, may be numbered after the numbering of Local Body reports.

The new numbering system will be in force in respect of Audit Reports for the financial year 2009-10 onwards and Stand-alone Performance Audit Reports to be issued with effect from 1st April 2010.

(Headquarters letter No. 59-Audit(AP)/32-2008 dated 17.2.2010)

Instructions for the preparation of Audit Reports – Commercial, Revenue and Local Self Government Institutions – are contained in the Manuals brought out by the respective wings.

1.02 The section is under the direct charge of the Principal Accountant General(C&CA). The routine work of the section is under the supervisory charge of a Senior Audit Officer/Audit Officer.

Duties and functions

- 1.03** a) Preparation of Stand – alone Report on State Finances and Audit Report (Civil) of the Government of Kerala.
b) Preparation of “Epitome of CAG’s Reports”.
c) Works relating to presentation of Audit Report on State Finances and Audit Report (Civil) in the State Legislature.

Premature disclosure of audit material

1.04 Media reporting of the findings of audit at the draft inspection stage or draft audit report is most objectionable, as disclosure of interim reports that may end up as audit paragraphs, which have not been approved as yet by the Comptroller & Auditor General, face the risk of breach of privilege of Legislature.

To tackle this situation, Hqrs office has instructed that:

- i If the reference to Inspection Report is as “PAG/AG Reports”, it should immediately be clarified to the Editor of the newspaper stating that the report is an Inspection Report.
ii If the reference is a Draft Audit Report or a proposed Audit para, then the matter should immediately be taken up with the Chief Secretary to ensure that the secrecy of such reports is not compromised.

(HQs letter No.168.Audit(AP)/9-2005/9.8.2005- File Report (Civil)I/54-1/Vol 42)

New Web site of CAG

1.05 Hqrs office has launched a new website www.cag.gov.in. The address of this web site may be shown in all the Audit Reports and other documents related to the Comptroller & Auditor General of India.

(CAG letter No.894/CA-II/Co-ordn/Misc/02-03/J2-2003 dated 25.11.2005. File Report (Civil)I/54-1/Vol. 42)

The Audit Reports are to be placed in the Comptroller & Auditor General’s website immediately after the same are placed in the State Legislature. For this purpose, the CDs containing the Audit Report in web ready format should be sent to Hqrs Office along with the printed Audit

Report. In the event of any corrections made by Hqrs Office in the printed Audit Report, a fresh CD containing the corrected version of the Audit Report, should be sent as soon as the printed Reports are handed over to the State Government. While sending the CD, it should be certified that the CD contains the printed Audit Report and corrections, if any. The title of the Audit Report and year of Report should be recorded on the label of the CD and authenticated with seal and signature of an officer not below the rank of a Group Officer.

(Hqrs. D.O Lr 573 Rep(S)/148-2005 dated 17.5.2005. File Report (Civil)I/54-1/Vol 42)

The Audit Report should also be hosted on the Accountant General's website on the day of tabling of the Report in the Legislature, so as to enable media persons interested in the full Report to access the same. The website, besides containing the entire Audit Report, also should contain the contents of the Audit Report arranged according to the district/department the findings pertain to.

(Hqrs letters No. 012/CPW/11(1)PR(States)/2008-09 dated 16.3.2009 and No. 973 Rep(S)-273/2009 dated 31.7.2009)

Media Policy for IA & AD

1.06. The Media policy for IA & AD has been revised in 2006. Salient features are given in Annexure to this Chapter.

(HQ Letter or LC/190/2004 dated 16.3.2006 Report (Civil)I/54-1/vol.43.

New address to Hqrs Office

1.07. The new address of Headquarters Office may be incorporated in place of the existing address:

‘Office of the Comptroller and Auditor General of India,
9, Deen Dayal Upadhyaya Marg,
New Delhi – 110124’,

The pin code should be quoted while making correspondence to Headquarters to avoid delay in delivery of mails.

Cases of suspected fraud and corruption warranting vigilance investigation – Early identification

1.08 Cases of suspected fraud and corruption warranting vigilance investigation should be identified by Group Officers while approving an Inspection Report. The Principal Accountant General (C&CA) would examine the case and record speaking orders before forwarding the extracts of such IR paras to the Administrative Secretaries of the Department concerned demi-officially in strict confidentiality, under intimation to the ADAI. The need for vigilance investigation should also be highlighted by the Principal Accountant General (C&CA). The matter should be followed up with the Government till finality. In case the matter is proposed for inclusion in the Audit Report, the fact of having intimated the State Government regarding vigilance investigation and for taking urgent action should also be mentioned in the Audit para.

(Hqrs Lr.No.685 Rep(S)/187-2003 dated.7.6.2006. File Report (Civil) I/54-1/Vol.43)

Submission of materials to Headquarters for inclusion in Comptroller & Auditor General's D.O Letter to the Chief Minister

1.09 While submitting material relating to Civil Audit Report, information about the dispatch of the material relating to the other two Reports - Revenue Receipts and Commercial - to the concerned wings at the Headquarters office has also to be indicated specifically. This is to avoid any delay in finalizing the said DO letter in Headquarters.

(Hqrs.Lr.No.358-Rep(S)/135-99 dated.10.4.2002 File Report (Civil)I/54-1/Vol 41).

Annexure

(Referred to in para 1.06)

Media Policy – Holding of press conference by the officers of IA & AD

The Media Policy of IA & AD is intended to facilitate dissemination of the information contained in the Audit Reports of Comptroller and Auditor General of India to the Parliament and State Legislatures. The matter regarding consolidation of the instructions relating to the media policy has been under consideration for some time. In supersession of all previous instructions on the subject, following guidelines are prescribed for interface with media.

General

- i. The press conference shall be held by the designated officers immediately after the presentation of each Audit Report in the Parliament/State Legislature. All press conferences so organized shall be Report specific for Central Reports and State specific for State Reports.
- ii. The press conference may be held either within the Parliament House/State Legislature, after following the prescribed administrative procedures for holding of press conference by Government officers in the Parliament House/State Legislature, or in the offices of IA & AD.
- iii. The designated officers shall announce at the outset in the media briefing that in accordance with the provision of Article 151 of the Constitution of India, Comptroller & Auditor General submits his Audit Reports to the President or Governor, as the case may be, for being laid on the Table of the Parliament/State Legislatures in respect of matters arising out of the audit of Union Government and State Governments respectively.
- iv. Together with the above, it shall also be stated at the beginning that as per the procedure, the Audit Reports of Comptroller and Auditor General of India to the Parliament/State Legislature relating to expenditure and revenue from the Consolidated Fund of the Union or of the States stand referred to the respective Public Accounts Committee. The reports in relation to Public Sector Undertakings stand referred to Committee on Public Undertakings. The Committees examine the Reports of Comptroller and Auditor General of India and issue recommendations for remedial action by the Government.

- v. Care shall be taken to ensure that no comments, directly or indirectly, are made during the press briefing on the functioning of the Committees of the Parliament/State Legislature, including the factual position about selection/discussion and issue of Reports which should be obtained by the press from the Secretariat of the various Parliamentary/Legislative Committees. The media may be advised to seek clarifications on these issues from the Parliament/State Legislative Secretariat.
- vi. The press conference shall be limited to conveying the contents of the tabled Audit Reports. For this purpose a press brief shall be sent for prior approval by the report controlling DAI/ADAI and specific approval to the press brief obtained. The overview, to the extent possible, may be utilized for the press brief. However, where it is not intended to utilize the overview as press brief, specific approval of the Headquarters shall be obtained. Where considered necessary, the report controlling groups may send the press brief to Director General (Audit) for vetting before putting up to DAI/ADAI.
- vii. The report controlling wings shall send a copy of the approved Report to DG (Audit), as soon as Reports are placed on the Table of the Parliament/State Legislature, indicating the date on which the Report is placed on Table of the Parliament/State legislature.
- viii. The designated officers holding the press conference may send a copy of the approved press brief to the editors of newspapers and other sources of media along with the information regarding the date of presentation of the Report to the Parliament/State Legislature. They may also circulate copies of the press brief on the spot to media persons attending the press conference.
- ix. The designated officers may seek advice and clarifications from DG (Audit) in the Headquarters office.
- x. Care shall be taken during the press conference to ensure that the statements are factual and are confined to what has been stated in the Audit Reports. No opinion on the Government and its policies shall be given during the press conference. The press brief shall confine itself to the issues of compliance, waste, fraud and performance of programmes/projects/schemes etc. as brought out in the Audit Reports. The press briefing is an occasion for conveying factual information and removing ambiguity on issues/findings included in the Audit Reports.

- xi. The press brief shall be non-partisan and without any political slant or comment.
- xii. No reference to the names of the executive authorities involved in transactions in Audit Reports shall be made in the press conference, as such authorities do not have an opportunity to defend themselves at the time.
- xiii. The matters connected with accounts of the State Government in Report No.1 (State Finances) shall not be discussed, except highlighting factual information in the various paragraphs. In case media persons seek clarification or elaboration on the issues discussed in these chapters, it may be provided without attribution.
- xiv. These instructions apply to both print and audio-visual media. Participation in any panel discussion on the Audit Reports or on issues relating to audit practices and their effects shall require prior approval of the Headquarters.

(B) Press brief on State Audit Reports

- xv. The Principal Accountant General shall preside over the press conference for the states as the designated officer, where the senior most representative of IAAD in charge of audit of the accounts of the State Government is of the rank of Principal Accountant General. However, all other Accountants General shall be present at the state level press conference and shall independently clarify matters relating to their Audit Reports. In other States, the Accountant General in charge of audit shall hold the press conference.
- xvi. The Principal Accountant General and the Accountant General shall make it convenient to be present in their headquarters for a press conference on the day of the presentation of the Audit Reports relating to the State Government. Any deviation in exceptional circumstances shall have specific approval of the report controlling ADAI, who may approve an alternative arrangement.

(Hqrs Lr.No.LC/190/2004 dated 16.3.2006 and No. 976/CPW/IA-DG(iCISA)CP-IA AD/2006-07 dated 22.6.2007 – File Report/Civil I/54-1/Vol. 43 &vol. 44).

In accordance with the existing External Communication Policy all media interface with regard to State Audit Reports is only at the State level. In

the context of the huge amount of Central funds being used in the State for centrally sponsored schemes and flagship programmes of Government of India, it has been decided that national coverage should also be given to State Reports. To facilitate this, the procedure being followed for the Central Report will also be followed for the State Reports with some modifications. For this a different press release with contents pertinent to national coverage shall be drafted and got approved by the concerned ADAI.

(Hqrs Letters No. 190-Rep(S)/48-2009 dt. 16.2.2009 and No. 012/CPW/11(i)/PR(States)/2008-09 dt. 16.3.2009).

CHAPTER - II

PREPARATION OF THE REPORT

2.01 Under Article 151 of the Constitution the Comptroller and Auditor General of India is required to prepare and submit Reports on the accounts of the Central/State Government to the President/Governor, who is required to cause them to be laid before the Parliament/Legislature. The Reports are to be treated as confidential documents till they are presented to the Parliament/Legislature.

The Report is a document of considerable importance and should receive very careful attention. Special care should be taken to ensure the accuracy of the information which it contains. The Report should lead to an annual review of each administration so that the Legislature and the Country may properly assess the financial stewardship of Government.

The Comptroller and Auditor General of India has stressed the importance of the Report Section and visualizes that the officers in charge of the Section should function as a bureau of research, information and vigilance. *(Confidential D.O.No.790/Rep/71-5 dated. 21.11.1951 from Deputy Comptroller & Auditor General of India)*

2.02 Audit Report works should receive the personal attention of the Principal Accountant General(C&CA). The Report on the accounts of a year should be finalized in time so as to make it available to the Legislature in the budget session of the following year. The Report Section should therefore, keep a strict watch over the progress of work to ensure that the due dates for the returns or statements due to or from the Section are strictly adhered to and bring to special notice of the Principal Accountant General(C&CA) any undue delay which is likely to upset the time schedule prescribed for submission of the draft Audit Report to the Comptroller and Auditor General.

2.03 As soon as cases of irregularities, losses etc. noticed in the course of audit become ripe for inclusion in the Report of the Comptroller and Auditor General of India, draft paragraphs should be prepared by the sections concerned and furnished to Report Section, after getting them approved by the Group Officer along with the connected files.

The following instructions should be borne in mind while preparing draft paragraphs for inclusion in the Audit Report.

- a. The draft paragraphs should not be very lengthy and should not include unnecessary material.
- b. They should give all relevant information with dates where necessary and lay correct emphasis on the exact points to be brought out.
- c. All words and phrases likely to cause resentment or unpleasantness should be avoided.
- d. The paragraphs should be worded in detached and dispassionate language so that, the facts speak more than the comment.
- e. The words 'Audit Comments' or the qualifying words such as 'Audit thinks that' or 'Audit comments on' are unnecessary and should not be used in the draft paragraphs.
- f. The circumstances in which the irregularity occurred and the circumstances in which the department took action commented upon should be brought out in the paragraph to give a fair appreciation of the case.
- g. The draft paragraph should indicate the Administration's point of view wherever available and why it is not wholly or partly acceptable to Audit.
- h. The names of the departments, organizations and parties connected with the irregularities may be mentioned in the paragraphs. Names of individuals should not, however, be mentioned; only the designations should be given. If the case commented deals with some fraud or misappropriation on the part of an official and departmental and criminal proceedings are taken against him the paragraph should be so drafted as not to give any clue to his identity.

(CAG's letter No.3724/Rep/385-69 dated.4-12-60 Case AA/54-1/56-60 Vol.VI)

- i. The responsibility of the departments concerned for the irregularity should be brought out in the para including information on the following points:-

- i) Did the matter come to the notice of the Finance Department at any stage? If it did not come to the notice of that Department, was it due to the lack of vigilance? If so, the position should be clearly brought out.
- ii) What was the action suggested by the Finance Department?
- iii) Did the administration follow this advice?
- iv) If so, did the irregularity or loss take place in spite of following the advice?
- v) Did Finance Department take or suggest any action after the irregularity has taken place?

(CAG's Lr.No.547/Rep/58-61 dated. 24.2.1961 Case AA 54-I/60-61 and CAG's Lr.No.780/Rep/175-71 dated. 12.5.1971)

- j. The emphasis should be on quality rather than quantity and on analysis rather than mere narration.
- k. The thrust of the paragraphs and reviews should come out clearly. Reviews and paragraphs should be concise; unnecessary descriptive material should be cut out and the fact stated should be brought out in sharp focus with adequate thrust. Only matters of public importance should be incorporated.

(D.O.No.792-Rep/294-78 dated. 23.8.1978 and No. 621/Rep/125-79 dated. 4.5.1979 of Additional Deputy Comptroller & Auditor General case Rep-I/54-1/Vol/XXIII and XXIV).

- l. The Paragraphs should not be cluttered with information not relevant to the points sought to be made.

(CAG's DO Lr.No.1009/Rep/83-72 dated.5.6.1972)

2.04 The Report Section will edit each draft paragraph with reference to the materials made available by the section proposing the draft paragraph and get the paragraphs approved by the Principal Accountant General(C&CA). After approval, a copy of the draft para will be sent to the Secretary to Government concerned by name for verification of facts, simultaneously endorsing a copy thereof to the Finance Secretary to Government. This is to ensure that the facts mentioned in the paragraph will not be challenged later when it is taken up for consideration by the Committee on Public Accounts.

2.05 The result of the verification of the facts contained in the draft para is required to be communicated to the Principal Accountant General(C&CA) by the Government Departments concerned within six weeks from the date of receipt of copy of the draft para. Before sending the verification report the officers concerned are required to collect all the facts which have a direct or indirect bearing on irregularity commented upon so as to ensure that the audit para portrays a true account of the alleged irregularities or lapses. If the draft para proposed by the Principal Accountant General requires modification to bring out the fact of the case, it should be suggested by them while sending the verification report. In cases where the department is not in a position to furnish a final reply to the draft para within the time limit of six weeks it is expected to send an interim reply to the Principal Accountant General indicating the time by which the final reply could be sent after verification. In any case, final reply is required to be sent within three months from the date of receipt of the copy of the draft para. In case where reply is not received the words “reply from the Government has not been received” should be indicated in the draft paragraph/reviews forwarded to the Comptroller and Auditor General.

(Para 30 of Hand book of instructions for the speedy settlement of Audit Objections/Inspection reports, timely disposal of draft audit paragraphs and timely action on matters pertaining to PAC and Estimates Committee issued by Finance Department, Government of Kerala in 1967 and Comptroller & Auditor General’s No.2522 Rep(c)/86-87/Vol.I dated.9.12.1987).

Note : 1. A convention has been set up with the State Government regarding the draft paragraphs sent to them for verification of facts by which Principal Accountant General’s Office may consider the paras as final if no reply is received within the prescribed time limit.

(Government Decision No.D.Dis/9401/52 Fin. Dated 22.4.1952 Case AA/55-11/50-53).

2. The Principal Accountant General(C&CA) may meet Secretaries to Government and apprise them of important audit findings. Draft paragraphs and reviews may also be discussed in meetings between the Principal Accountant General and the Administrative Secretary and Chief Secretary may also be associated in these meetings if possible. In any case, opportunity

may be taken to keep them and Finance Secretary in particular, informed of the results of audit likely to find place in the Report.

The Principal Accountant General (C&CA) should discuss replies to the draft paras with Government Secretaries concerned, wherever possible.

(CAG's letter No.792/Rep/294-78 dated.23.8.1978-Case. Rep-I/541-1/XXIII and CAG's letter No.1213/Rep (S)-38-35 Pt.I dated.31.10.1985).

3. If replies to draft paragraphs are abnormally delayed by the departments of Government and where the offers of discussion do not get any response, such cases should be brought to the notice of the Finance Secretary to Government. Further, an omnibus draft paragraph may be proposed bringing out cases of non receipt/abnormal delay in receipt of replies to draft paragraphs/reviews.

(CAG's letter No. 1890-Rep/180-81 (General Circular No.18) dated 21.12.1981).

2.06 Draft paras on important financial irregularities, cases of losses etc. may be sent to the Comptroller and Auditor General well in advance, in convenient batches as soon as they are ready irrespective of whether they have been accepted by the Administration or not. Accordingly, as soon as five or more important draft paras for inclusion in the Report have been drafted, three copies of these should be forwarded to the Comptroller and Auditor General. Draft paragraphs, and draft reviews may be sent in separate batches. A batch of draft paragraphs should not include more than 10 draft paragraphs. Each draft review should be considered as a batch unless the draft reviews are too small for a batch. Each batch should be sent duly stitched and not forwarded in loose sheets. These paras should be pursued in the normal manner, special action being taken in the light of any comments or suggestions made by the Comptroller and Auditor General.

(CAG's Letter No.2222-Rep/350-58 dated.4.10.1958 and orders of C & AG dated .16.10.1958 Case AA.54-1/56-57 and CAG Letter No.351-Rep(S)/15-88 (G1.Circular No.08-Rep(S)/88) dated.21.3.1988).

A list of the key documents (alongwith photocopies of key documents) on which the reviews/draft paras are based should be enclosed to the reviews/draft paras concerned.

HQrs (Gen. Circular No.11 (No.955-Rep(S)/116-89 dated.30.11.1989 and HQrs letter No. 394 Rep(S)-84/2009 dated 6.3.2009).

All key documents of a particular Audit Report should be kept in a single file, properly indexed so that they are easily available at the time of discussion in the PAC.

(D.O.No.362/R-S/Audit conference/89 dated.29.3.1990 of Smt. Padma, ADAI, case Rep.I/54-I/89-90/XXXII).

Material for Audit Report should be sent to headquarters office by speed post.

(Hqrs D.O Letter No.2372-Rep/212-82 (General Circular No.15) dated. 10.12.1982).

Note:

1. To eliminate petty items from the reports it has been decided that draft paragraphs involving Rs.25 lakh or more only need be sent to HQrs for inclusion in the reports. But draft paragraphs for amounts less than Rs.25 lakh may be proposed if there are any special features such as system failure.

(Hqrs Letter No.353-Report(S)/175-2000 dt. 19.4.2001 File Report (Civil)I/54-I/Vo.41).

2. Audit observations on which Government have taken rectificatory action and also suitable remedial measures to set right the lacunae in procedure etc. need not be included in the Audit Report unless they are so important that it is considered necessary to bring them to the notice of the Legislature.

(Letter No.1204-R 11(S)/76-72 dated.30.7.1982 of Shri.P.P.Dhir, Additional Deputy C & AG (Report) case – Report I/54-I/Vol.XXVI).

3. As the draft paragraphs are considered as confidential they should invariably be marked as confidential in order to maintain secrecy while sending them either to the Office of the Comptroller and Auditor General of India for editing or to Government etc. for verification of facts and during subsequent correspondence thereon.

(CAG's Confl. Letter No.1752-Rep/256-68 dated.2.9.1968).

2.07 On receipt of the comments of the Comptroller and Auditor General on the draft paragraphs, expeditious action should be taken to revise the

paragraphs taking into account the remarks of the Comptroller and Auditor General and the replies of the departments with a view to bringing out the factual position correctly and completely. Within one month of the receipt back of the last batch vetted by the Comptroller and Auditor General, the draft report should be prepared (meeting the points raised by Headquarters) and sent to the headquarters. The remarks of the Comptroller and Auditor General and Principal Accountant General's replies thereto as also the changes made in the paragraphs should be indicated on the page facing the one in which the relevant material appears. The remarks and queries of the Comptroller and Auditor General may be linked to the material by proper guide marks. Reference to paragraph number, batch etc. should be given against each paragraph included in the draft Report. Normally it is not necessary to send the modified/revised paragraphs to Government before the receipt of Administration's remarks on the original paragraphs. Where, however, as a result of further examination with reference to the comments of the Comptroller and Auditor General or on further material being available fresh points arise on which Government's remarks have not been asked for such points or the modified/revised paragraphs should be communicated to Government well in time so that before the paragraph is finalized, Government's remarks are available on all the points.

(CAG's letter No.305/Rep 106-66-1 dated 14.2.1967)

2.08 The bond copy will be finalized after discussion with the officers of the Headquarters Office and making necessary modifications as suggested by them. The bond copy in duplicate (with CD) should be sent for approval of the Comptroller and Auditor General. A list of paragraphs dropped/deferred should be attached to the letter forwarding the bond copy along with the reasons therefor. In the letter forwarding the bond copy to the Headquarters Office for approval, the name(s) of the Principal Accountant General responsible for the finalization of the Report may also be indicated. In case more than one Accountant General/PAG had held the charge, the periods for which they held the charge have also to be indicated.

Type script copies of the Report are to be sent to the Comptroller and Auditor General according to the time schedule prescribed.

(CAG's Circular Letter No.826/Rep/102-70 dated.25.4.1970, No.1139-Rep/175-71 dated.22.6.1972, Case Rep 1/53-3/70-71. D.O letter No.1210-Rep V 294-78 dated.13.11.1978 from Additional Deputy Comptroller & Auditor General Case – Rep/I/5401/Vol.XXIV and Hqrs letter No.950/Rep(C)/97/83 dated.3.4.1983, D.O.No.1453- Rep(C)/99-87 dated.14.8.1987 from ADAI and C& AG's Letter No.782-Rec AIV/7(ii)87 dated.17.9.1987).

2.09 Accuracy, brevity, clarity and purposiveness should be the hall mark of the Audit Report. Language of the Report used would be as simple as possible. Style Guide should be adopted right from the stage of draft para it self.

The audit findings should be significant and tone and content of the Report should be such as would command the attention and interest of legislators and other readers. Efforts should be made to reduce use of passive voice and complex sentences, avoid verbosity, brackets, parenthesis, extraneous information etc.

There should be personal involvement of the Principal Accountant General(C&CA) in the drafting of Audit Reports. Besides improving the quality of reporting, this may give the Principal Accountant General an opportunity for self scrutiny and introspection to judge whether all the efforts made and resources deployed were worthwhile and had yielded optimal results.

(D.O.No.1453-Rep(C)/99-87 dated.14.8.1987 addressed to Shri.Ananda Shankar, Accountant General (Audit) from Shri.S.S.Ahammed, Deputy C&AG).

2.10 In the annotated copies of the draft report, portions which have undergone material revision should be duly indicated, notes containing background information or clarifications on specific points raised by the Comptroller and Auditor General's Office being given in the margin or on attached sheets or slips wherever necessary. Copies of the draft paragraphs containing C&AG's observations should also be returned along with the Report.

(CAG's Letter No.1703/Rep/48-63 Vol.I dated.12.9.1963 Case AAI/53-3(I)/63-64).

2.11 In the bond copy of the Audit Report a brief epitome of the contents of the Report in about 6 to 10 pages titled as 'Overview' should be included.

The contents of this Overview should be lucid, accurate, brief but comprehensive and well drafted without parenthesis, etc. and of such phraseology which the public and members of Legislature/Parliament can easily understand. In the Overview, cross reference of paragraphs should be given. It should be printed in distinct colour pages.

(DO.No.1453 Rep(c)/99-87 dated.14.8.1987 addressed to Shri.Ananda Shankar, Accountant General (Audit) by Shri.S.S.Ahamed, Additional Deputy Comptroller & Auditor General and letter No.2678/Rep(C)/99-87/Vol.I dated 28.12.1987 and letter No. 579-Rep(S)/48-87-Part I(General Circular No. 18/Rep(S)/88) dated 8.6.1988. No. 1678-Rep(C)/99-87 vol.I dated 28.9.1988 of Director (R.S) case Rep I/54-1/XXXI D.O.No.362/R.S. Audit conference 89 Dated.29.3.1990 of ADAI.

The Paragraph numbering in the Overview should be in consecutive numbers and the numbering will be Arabic viz (1), (2),(3),(4) and so on. The page numbering of the table of contents, prefatory remarks and overview will be in consecutive numbers as follows:-

“(i),(ii),(iii),(iv) and so on”.

(Hqrs letter No.1678-Rep(C)/99-87/Vol.I dated 9/88 Report I/54-1/XXXI).

2.12 (i) Instructions to be followed in the printing of the Audit Reports as given in the M.S.O (Audit) should be followed scrupulously. It is not necessary to sent to the Comptroller and Auditor General, proof copies of the Report printing unless specially required by him.

(CAG's Letter No.1462-Rep/48-63 dated 2.8.1963. Case – AA VII/54-I/Vol.XII).

(ii) Audit Reports should be available to the legislators/members of Parliament well before the annual budget is taken up for discussion in the Legislature/Parliament. Therefore, a time schedule should be worked out in such a way as to ensure that the Audit Report is presented along with the Finance and Appropriation accounts before the commencement of the Budget discussions.

Separate volumes of Audit Reports for major State Scheme Reviews may be printed and presented with the prior approval of the Comptroller and Auditor General of India.

(iii) Weekly progress report on printing in respect of English and regional language version are to be sent to HQ every Thursday in the proforma prescribed

(CAG's letter No.42-Rep(S)/3-98 dt.15.1.2002)

In order to avoid delay in printing of Audit Reports through Government press, the option of undertaking printing from private printing press may be considered. Necessary precaution should be taken to maintain secrecy of the contents of Audit Reports.

(HQ. letter No. 822-Rep(S)/186-2005 dated 8.7.2005 of Director (RS))

(iv) If a draft paragraph which was already approved by the Comptroller and Auditor General and included in the draft Audit Report is dropped/deferred without prior approval from Headquarters, an appendix should be attached to the letter forwarding the printed copies of the Report for countersignature by the Comptroller and Auditor General indicating the paragraphs dropped/deferred along with the reasons therefor. If, however, on account of time constraint detailed reasons could not be indicated at that stage, they should be communicated to Comptroller and Auditor General immediately thereafter.

(CAG's Circular No.27 of 1970 Gr.IV issued in letter No.2529 Rev.A/III/69 dated.24.7.1970 and Comptroller & Auditor General's letter No.3526-Rev.A/III/69 dated.27.10.1970 Case Rep.V/54-1/Vol.XVIII).

(v) No change whatsoever may be made in the draft Report approved by Comptroller and Auditor General of India without obtaining clearance from him.

(D.O. Letter No. 411-Rep/125-79 dated 28.2.1980 from Headquarters)

(vi) The Audit Report should be printed in RA4 size. Cover of all Reports of a year should be of same colour.

2.13 Proof reading should be done carefully to ensure that no occasion arises for detection and rectification of errors in the final copies in the Comptroller and Auditor General's Office. Where only few minor errors are detected in the final copies and these are capable of being corrected manually in Comptroller and Auditor General's Office without previous reference to the

Principal Accountant General the necessary corrections will be effected there by hand and the fact intimated to the Principal Accountant General for effecting identical corrections in the copies remaining with him. If, however, the final copies contain numerous errors, omissions and unfilled blanks, necessitating corrections slips, addenda or corrigenda, freshly signed and dated copies should be sent to the Comptroller and Auditor General after incorporating all corrections and additions.

(C & AG's OM No.1222-Rep/191-57 dated.3.6.57. Case AA 54-I/55-56 Vol.III).

Note:- The Comptroller and Auditor General of India has ordered that correction slips should be issued only in exceptional cases to the final copies of the Report after they have been submitted by the Comptroller and Auditor General of India to the Government but before they are presented to the Legislature. Such correction slips should not bear any date.

(Vide Para 44 of MSO(T)Vol.II and CAG's Letter No.461/Rep/135-50 dated.30.7.1951. Case AA 54-1/50-55).

On receipt back of Audit Report signed in ink by the Comptroller and Auditor General of India, errata may be provided if required. However, insignificant printing errors need not be included in the errata.

(HQrs DO Letter No.1453-Rep(c)99-87 dated.14.8.1987)

2.14 A draft of the summary of important points highlighted in the audit Report termed as press brief will be prepared by the Principal Accountant General strictly based on the 'Overview'.

According to External Communication Policy, the press brief should be got approved by report controlling DAI/ADAI.

Note: The Additional Deputy Comptroller and Auditor General of India in charge of Reports (State) will forward the signed copies of the Audit Report to the Finance Department of the State and also keep the Secretary to Governor informed demi-officially, forwarding a copy of the Audit Report (this copy will be signed by the Principal Accountant General and the word "Sd" superscripted over the signature space of C&AG). Immediately after the delivery of the Audit Report to the Finance Department, the fact will be

intimated to the Press by the Principal Accountant General(C&CA) without disclosing any part of the contents thereof.

(CAG's Gen. Circular No.1031-Rep(S)/90-87 dated 7.9.1987 and CAG's Office letter No.695 Rep©/82-88 dated.22.3.1988 CAG's Circular No.605-Rep(c)/82-88 dated.22.3.1988 and 1345/Rep (c)/87-88 dated.4.8.1988).

2.15 The signature of the Principal Accountant General(C&CA) on the final copy of the Report sent to the Comptroller and Auditor General of India, should bear the date on which it is signed.

(CAG's OM No.1222-Rep/191-57 dated.3.8.1957 Case AA-54-1/55-56 Vol.III).

2.16 The date of signature of the Comptroller and Auditor General of India in the copies of the Report intended for submission to the Governor should be left blank, the actual date will be inserted when the copies are signed by the Comptroller and Auditor General. This date is to be incorporated in the other final copies by means of a rubber stamp on receipt of communication from the Comptroller and Auditor General.

(CAG's Letter No.756-Rep/105-51 dated.7.11.1951. Case AA 55-6/51-52).

2.17 The facsimile signatures of the Principal Accountant General(C&CA) and the Comptroller and Auditor General should also be got printed in the Audit Report except in the copies of the Reports to be signed in hand, for being sent to Government.

Note : The facsimile signature of the Comptroller and Auditor General is kept in the personal custody of the Principal Accountant General(C&CA).

2.18 The name of the Comptroller and Auditor General of India should be got printed, within brackets, in the Report of the Comptroller and Auditor General just below the place meant for his countersignature leaving sufficient space for his signature.

(CAG's Letter No.5311-Rev/424-68 dated.5.12.1968 Case No.Rep.V/54-1/S.VII).

Note : The space on the signatory page of the printed Audit Reports between the designation of the Principal Accountant General and "Countersigned"

should be one inch and that between “Countersigned” and name of the Comptroller and Auditor General should be 1 ½ inches”.

(Hqrs Letter No.926-Rep(C)/73-90 dated.15.5.1990)

2.19 Certain schemes are taken up for audit scrutiny over a longer span than what seems possible within the target date fixed for Civil Audit Reports. After a comprehensive study of these schemes is completed, the results can be considered, if justified, for presentation to the Legislature in a separate Advance/Supplementary Audit Report instead of the conventional Report. The topics selected for this type of presentation should be sufficiently important to merit a separate Report.

(D.O Letter No.361-Rep/73-78 dated.13.3.1979 from the Additional Deputy Comptroller and Auditor General (Report) Case Rep I/54-1 Vol.XXIV)

Making Cabinet Notes and other confidential records as key documents to Audit paras and their production before parliamentary committees.

2.20. The following instructions of the Headquarters office may be kept in view.

a. In cases where a Ministry or Department of the GOI proposes to withhold any document relating to any matter included in a draft para proposed to be included in the Audit Report from any of the Parliamentary Committees, the Ministry/Department concerned will bring this fact to the notice of the ADAI/DAI demi-officially at the time of furnishing comments to the draft paras.

b. The request of the Ministry/Department will be considered by the concerned ADAI/DAI at the Headquarters while finalizing the Audit Reports and while dealing with the follow up action during the deliberations of the matter by PAC/COPU. In case the parliamentary committees request submission by Audit, of copies of these supporting documents in respect of which privilege is proposed to be claimed, Audit will inform the Committee concerned of the Government’s intention to claim privilege from production of the said documents and that Government may, therefore, be approached for the production of the documents in question without the intervention of Audit.

(Hqrs Letter No.40-Audit Procedure/209-99(KW) dated.18 June 2002 File Report (Civil)I/54-1/Vol.41)

Mentioning the names of individual officers/officials in the Audit Reports

2.21. Instructions contained in paras 7.3.38 to 7.3.41 in Comptroller & Auditor General's MSO (Audit), 2nd Edition 2002 may be strictly followed while drafting the Audit Report.

The question of naming individual officials (in Government, PSUs and ABs) in the Audit Reports has been considered and it has been decided that the name of the officials personally responsible for any irregularity should not be disclosed in the Audit Reports. However, the names of the departments, organizations, name of contractors, firms and designations of the concerned officials may be mentioned.

(Hqrs Letter No.140-Audit(AP)/8-2003 dated.6.10.2003. File Report (Civil)I/54-1/Vol.42).

CHAPTER – III
LAYOUT AND CONTENT OF THE REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL OF INDIA (CIVIL)
GOVERNMENT OF KERALA

3.01 Chapters I and II from the existing State Audit Report (Civil) hitherto presented under the titles ‘Finances of the State Government’ and ‘Allocative Priorities and Appropriation’ respectively have been delinked from Audit Report (Civil) and has to be presented to State Legislature as two stand-alone Reports.

The format of the new Reports shall have the following contents.

- I. Report No. 1 – The Report of the Comptroller and Auditor General of India on ‘State Finances’ for the year ended 31 March(year)**
1. Preface
 2. Overview
 3. Chapter I – State Government Finances
 4. Chapter II – Financial Management and Budgetary Control
 5. Chapter III – Financial Reporting
 6. Appendices
 7. Glossary
- II. Report No. 2 - The Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March ...(year)**
1. Preface
 2. Overview
 3. Chapter I – Performance Audit
 4. Chapter II – Audit of Transactions (including IT Audit Paras)
 5. Chapter III– Internal Control Mechanism in Government Departments/Integrated Audit
 6. Appendices
 7. Glossary

The new format should be followed from the Report for the year ended 31 March 2009. The new numbering system will be in force in respect of Audit Reports for the financial year 2009-10 onwards (Refer Paragraph 1.01 of this Manual) Both the Reports are to be presented during the pre-budget session, if held, otherwise during the budget session of the State Legislature.

(HQ Office Lr. No. 1216/Rep(States)/Co-ord/SAR-State Finances/2009-329 dated 4.9.2009 and HQrs office letter No. 59 Audit(AP)/32-2008 dated 17.2.2010)

3.02. Performance Audit: This chapter will contain all reviews (including those converted into long paragraphs). A sub - para on recommendations should be included at the end of each review. These recommendations should be specific and should emerge from the contents of the review.

Audit of Transactions (including IT audit paras): This chapter will contain all draft paragraphs including the General paragraphs. Draft-paragraphs of all the departments will be grouped deficiency-wise. Separate title for the paragraph is necessary and the capsule (Top Gist) of the paragraph should contain the audit findings. Grouping will be as under:

Fraudulent drawal/ Misappropriation/ embezzlement/Losses.

Infructuous/Wasteful expenditure and over payment.

Violation of contractual obligation/undue favour to contractors

Avoidable/extra/unfruitful expenditure.

Idle investment/idle establishment/blockage of funds.

Regularity issues and other points.

No recommendation is necessary for any of the paragraphs. In case any course of action is to be recommended, this may be included in the running text of the para itself.

(Hqrs Letter No.1476 – Report (S)/312/2003 dated.24.11.2003, File Report (Civil)I/54-1 Vol (42).

Instructions of the CAG on the issues related to audit Reports

3.03 Audit Reports

1. Old cases should not be included in the Reports. As a general rule, transactions over two years old should not be included in Transaction Audit Reports. However, where an old para is included, the reasons for doing so may be sent along with such para (s) for submission to the C&AG. Exception can,

however, be only in respect of cases that could not have come to the notice of Audit earlier and question of principle are involved. Cases of lack of response to constructive suggestions of audit aimed at remedying deficiencies in control systems may be commented upon, if the continuance of the unsatisfactory features is attendant with risk of fraud or loss to the Government.

2. Care should be exercised to ensure that obvious errors in the Audit Reports are not repeated next year.

3. It may be ensured that Audit Reports do not make any reference to any document, which is of a secret/confidential nature. In particular, no reference should be made to noting and notes for the Cabinet or its Committees.

4. Care should be exercised to ensure that Audit does not take credit where the matter has already come to the notice of the Executive on its own or through internal audit etc. and on which action is being taken or proposed. Such para should not be issued for inclusion in the Audit Reports.

5. Highlights appearing in performance Reviews should list out major audit findings and not be a mere statement of facts.

6. Money value attributed to the paras should not be inflated.

7. With a view to highlight paras relating to fraud/misappropriation such paras should be printed in bold. A system of monitoring of paras relating to fraud/corruption should be put in place and a brief mention should be made in the annual post audit letter to the Chief Ministers. Material for such letters should be submitted along with CDs for uploading on C&AG website when the printed copies of the Audit Reports are sent for countersignature of the C&AG.

3.04 From the Audit Report for the year ended 31 March 2009 the stand-alone Report of the C&AG on 'State Finances' has to be prepared based on the new format circulated by HQrs vide Lr. No. 1216/Report(States)/Co-ord/SAR-State Finances/2009-10 dated 4 September 2009.

Transaction Audit

3.05 Targets set for draft paras should be achieved and in case of short fall, reasons for the same are to be furnished to Hqrs. Office.

(Letter No.435-Rep(S)/120-2006 dated.7.4.2006 of the CAG. File Report/Civil-I/54-1/Vol.43)

Summary of Accounts and time series data in the Epitome of Audit Reports

3.06 There shall be a mention of CAG's website on the cover page of the Epitome; the style of the back ground of cover page is left to the discretion of the PAG/AG. The boxed 'Highlights' should not be carried over to the second page, but restricted with in the first page; pages 2 and 3 of the Epitome shall depict the Accounts information and Time Series data. The remaining 8 pages (Maximum) may be used to bring in the significant audit findings. The highlights (with due modifications, if necessary) of all the reviews as per Bond copy and gist of only important and significant audit observations under transaction audit may be taken in the Epitome and the inner back cover should contain the details of contact persons. The back cover should mention the month of publication, month of laying the Audit Report of the year and the details of the Publisher and Printer below the month of publication.

Comments from Report I (on State Finances) to appear first in the Epitome

3.07 As the Report I (on State Finances) contains comments on Finance and Appropriation Accounts, comments from 'Audit Report on State Finances' should invariably appear first followed by those of Civil, Revenue and Commercial Reports.

Calculation of Balance from Current Revenue (BCR)

3.08 The existing method of calculation of BCR for the purpose of comments has since been revised as under :

For the purpose of calculation of BCR, the Revenue Expenditure should also exclude the debit under the major Head '2048 Appropriation for Reduction or Avoidance of Debt'.

(Hqrs Letter No.1361-Rep(S)/110-99 dated 11.12.2002 file Report (Civil)I/54-1/Vol 41).

Material for Stand-alone Report on State Finances (Report I)

3.09 To improve Chapter II of Report I, the following audit observations may also be considered for inclusion.

- i. Drawal of funds to avoid lapse of budget grant.

- ii. Pendency in submission of Detailed Contingent Bills against Abstract Contingent Bills.
- iii. Non-adjustment of Temporary Advances
- iv. Lapsed Deposit
- v. Personal Deposit Accounts
- vi. Errors in Budgeting Process
- vii. Outcome of Review of Selected Grants
- viii. Outcome of Inspection of Treasuries.

(Hqrs Letter No.1216/Rep(States)/Co-ord/SAR-State Finances/2009-329 dated 4.9.2009)

Aspects to be examined while finalizing Report on State Finances (Report I)

3.10 Certain aspects to be carefully examined for their possible inclusion in Report I are as under.

i. Where there is abnormal reduction in RD/FD, the reasons for such reduction should be carefully examined to see if any unacceptable accounting adjustments were carried out by the State Government for projecting better financial position.

ii. In most of the states revenue expenditure are on the increase. But comment on the reasons of such increase are very sketchy and do not reflect a proper analysis of the reason of such increase. It is necessary to bring out in which sector the increase is perceptible and thereafter the Major Heads under which the increase pertained to. The reason for low capital expenditure also needs to be examined for comments.

iii. In the case of reduction in Plan Expenditure (Revenue + Capital Expenditure) with reference to Annual Plan size approved for the State for the year, the reasons should be commented upon.

iv. Reasons for low recovery of loans and advances given by the State Government are to be analyzed and commented upon. In some cases loans given to SEBs etc. are converted into equity and therefore there is no actual cash outgo - but the size of the investment in the budget is inflated. The inflated capital budget may be used for raising further loans from GOI/Market or to get matching grant from the Centre. Impact of such adjustments on the states finances should be critically examined and commented upon.

v. In some cases, State Government may show advance realization of receipts from certain departmental undertakings (like Forest Development Corporation) though such receipts are not due during the year. While the departmental undertaking suffers as a result of such advance realization, the revenue deficit of the State Government for that year is reduced. Further the revenue earning of future years are also compromised in the process. Such matters, if any, should be critically examined and commented.

vi. There may be cases where funds raised by State PSUs by way of loans/Bonds for their own activities are utilized by the State Government to meet their ways and means requirement. State Government stands guarantee for full budgetary support to the PSUs to meet the liability of Principal and interest amounts of such loans. Such cases need to be seen thoroughly and suitably commented.

vii. Similarly, cases where the State Government has resorted to the practice of withdrawing investments from the State PSUs and subsequently recycling them to the same organization in the form of subsidies/fresh investment should be examined in detail and suitably commented.

viii. All cases of “Nil” bill drawals which camouflage the nature and extent of expenditure are to be examined thoroughly as per existing instructions.

ix. “Minus balance” under certain heads in Finance Accounts are perpetually shown to be under investigation etc. The matter should be vigorously pursued with the Accountant General (A & E). The result of such investigation carried out should be reflected in the Audit Report.

(Hqrs. Letter No.457-Rep(S)/110-99 dated May 14-2007. File Report (civil)I/54-1/Vol.41)

Long paragraphs in the Audit Report

3.11 Long paragraphs on performance audit, which focus on overall performance/implementation of a department/project/scheme should be included in Chapter I of Audit Report (Civil). The long para proposed for inclusion in the Audit Report should also, therefore, end with “Conclusions” and a set of “Recommendations”. All other individual cases highlighting

transaction audit irregularities should be included in Chapter II of Audit Report.

(Hqrs Letter No.842-Rep(S)/329-2003/Vol.II dated.2.8.2004. File Report (Civil)I/54-1/Vol 42)

Money Value/Matrix Value of paragraphs

3.12 While sending the batch material for Audit Report the matrix identity, money value and weighted money value (matrix value) of the draft paragraphs may be indicated in a marginal box along side. In case of review/long paragraphs the money value, matrix score and the weighted money value for the review/long paragraph as a whole may be indicated in a box in the beginning while money value of the individual sub-paragraphs may be mentioned along side each sub-paragraph of the review/long paragraphs.

A statement indicating matrix identity, money value and matrix value in respect of all the transaction paras, long paras and reviews should also be sent while forwarding the Bond Copy to the Headquarters.

(Hqrs Letter No.248 Rep(S)/252-2003 dated.1.3.2006. file Report (Civil)I/54-1/Vol.43).

Note: Matrix identity and matrix value are calculated based on the instructions contained in HQ Letter No.718 – Rep(S)/252-2003 dt. 16.6.2005 (Please see Annexure to this Chapter) and DO. No.1207 Rep(S)/271-2007 dt.16.11.2007.

Annexure
(Reference to Para 3.12)

No.718 Rep(S)/252-2003
OFFICE OF THE COMPTROLLER AND
AUDITOR GENERAL OF INDIA

Date: 16.6.2005

To

All Principal Accountants General (Audit)
All Accountants General (Audit)
(with ADAI-RS)

Sub: Measuring effectiveness of Audit – revision of Desirability
Acceptability Matrix (weighted money value) for the transaction
audit paras and the review and long paras (in respect of Civil
Audit Reports)

Sir / Madam,

Please refer to the Hqrs circular letter No. 985 –Rep(S)/252-2003 dated 17 September 2004 inviting your comments on the proposed matrix parameters and matrix value for both transaction audit paras and the reviews and long paras. The matrices have now been revised after thorough examination and consultation with the concerned Wings of Hqrs.

The ‘agreed’ matrices separately for the transaction audit paras and the reviews and long paras(for Civil Audit Reports) are enclosed. These may please be adopted in the Audit Report (Civil) 2004-05.

Kindly indicate matrix identity, money value and matrix value against each draft paragraph, draft review and long paragraph, while sending the Draft Audit Report and the Bond copy of Audit Report to the Hqrs. A statement indicating matrix identity, money value and matrix value in respect of all the transaction paras, long paras and reviews should also be sent while forwarding the Bond copy to the Hqrs.

Encl: as above

Yours faithfully,

(Rita Mitra)
Principal Director(RS)

**Parameters and weights for measuring effectiveness of various categories
of Audit Paragraphs in State Civil Audit Report**

Nature of audit observations	Violation of procedure/ system/ guidelines identified	Reasons for Ir-regularities/ lapses /mistakes/ errors analysed	Responsibilities located/ recovery made	If modern technique of gathering evidences adopted@	Government responses included with rebuttal/ Audit observations accepted by the Government/ Department	Maximum score	Matrix Identity
i). Fraud/misappropriation/ embezzlement/ losses detected in audit; over payment accepted by department (recovered or not) that is indicative of fraud misappropriation etc.	0.35	0.30	0.10	0.10	0.15	1.00	A
ii). Excess payment wasteful/ infructuous expenditure	0.35	0.20	0.10	0.10	0.15	0.90	B
iii). Violation of contractual obligations, undue favour to contractors, avoidable, expenditure	0.25	0.20	0.10	0.10	0.15	0.80	C
iv). Idle investments/ idle establishment/ blocking of funds, delays in commissioning equipment; diversion/ misutilisation of funds	0.20	0.15	0.10	0.05	0.10	0.60	D
v). Regularity issues and Others	0.20	0.10	0.05	0.05	0.10	0.50	E

@ Include photograph, interview, beneficiary survey, joint physical verification (by Audit and Auditee unit) duly authenticated by the auditee unit

Note: Matrix value of an audit Paragraph will be the money of the paragraph multiplied by matrix weight for the para,

**Parameters and weights for measuring effectiveness of various categories
of Audit reviews/long paras in State Civil Audit Report**

	Objectives/ goals/ targets/ Aims attainments analysed	Compre- hensive- ness of the coverage of the subject	Presentation and readability conclusions/ Recommen- dations	If modern technique of gathering evidences adopted@	Government responses included with rebuttal/ Audit observations accepted by the Government/ Department	If Money value is more than 10% of audited expenditure	Maximu m score (X)	Weightec (matrix) money value
Scheme/ Program Review and integrated Audit	0.25	0.25	0.20	0.10	0.10	0.10	1.00	X multi- plied by actual money value
	Violation of acts/ Rules analysed and Prosecution /Conviction analysed	Administra tive or legal difficulties in implementa tion	Presentation and readability/ Highlights/ conclusions / recommen- dations	If modern techniques of gathering evidence adopted@	Government responses included with rebuttal /Audit observations accepted by the government/ Department	If money value is more than 5% of audited expenditure	Maximu m score	Weightec (matrix) money value
Audit of implemen- tation of Acts and Rules/ Regulatory functions	0.30	0.20	0.20	0.10	0.10	0.10	1.00	X multi- plied by actual money value

@ Include photograph interview, beneficiary survey, joint physical verification (by Audit and Auditee Unit) duly authenticated by the Auditee unit

Note: Matrix value of an Audit review/long paragraph will be the money value multiplied by matrix weight for the review / long para

Rakesh Jain
Principal Director (RS)

DO No. 1207 Rep(S)/271-2007
OFFICE OF THE COMPTROLLER &
AUDITOR GENERAL OF INDIA
10 - BAHADUR SHAH ZAFAR MARG
New Delhi – 110 002
Date 16 November 2007

Dear Sir/Madam,

193-
Rep(S)/240-
2006 dt.
22.2.2007
435-
Rep(S)/120-
2006 dt.
7.4.2006
248-
Rep(S)/252-
2003 dt.
1.3.2006
ADAI(RS)'s
DO letters
following the
finalization of
ARs(Civil) for
2005-06
addressed
between March
and April 2007

While finalizing the Bond copy of Audit Report (Civil), it was observed that adequate caution was not taken for adherence to the instructions issued from headquarters office for preparation of the bond copy. Some of the headquarters' office circular letters on the matter issued in the past are mentioned in the margin for your ready reference. This apart, adequate care should be taken while attributing money value to paragraphs and sub-paragraphs of reviews included in Audit Report, in view of CAG's observations at the time of approval of Bond copy.

No money value shall be attributed in the following cases:

- (i) Diversion of funds
- (ii) Excess/savings/surrenders
- (iii) Pendency in receipt of utilization certificates
- (iv) Time over-run and cost over –run
- (v) Unspent funds/funds lying in Civil Deposits/Banks
- (vi) Curtailment of Central assistance
- (vii) Unrealised revenue/Outstanding loans
- (viii) Events noticed by the Department
- (ix) Statistical information used in support of audit comment
- (x) Any other areas where no audit effort is involved

To ensure this, you are requested to get the money value vetted at Group Officer level before the material is sent to headquarters. Regarding the score mark for calculation of Matrix value, this office circular No. 718-Report (S)/252-2003 dated 16 June 2005 may be strictly adhered to. While drafting the Audit Report, the contents of the Style Guide may also be kept in view.

I would also request you to kindly enforce all the instructions contained in headquarters letter forwarding the approved Bond copy of the Audit Report for printing in order to prevent any inaccuracies, errors or inconsistencies in the contents of the Audit Report before adoption for printing.

Yours sincerely,

To

All Principal Accountants General(Audit)
All Accountants General (Audit)
(General Category States)

CHAPTER – IV

REPORT WRITING

4.01 The Perspective Plan of the IA&AD for 2003-08 stressed the importance of improving the quality of reporting with a view to enhancing its usefulness. Greater uniformity and improvement in drafting constituted one of the focus areas for further development during the perspective plan years.

Objectives of Reports

4.02 Reports are the principal means by which the IA&AD meets its primary objective of providing Parliament and State Legislatures with independent information and assurance. They are written for the Parliamentary reader or the PAC, and beyond that for the wider public. They are not written to be read as a dialogue between the IA & AD and the audited body and are not therefore reports in any “expert to expert” category.

So the reports need to get their essential messages across clearly and simply to an audience who probably do not need or wish to know the details and complexities surrounding the subjects examined.

(Paragraph 2.1 Style Guide)

4.03 The style and format for reporting as given in the STYLE GUIDE should be adopted right from the draft para stage.

(Hqrs Letter No.215 Audit (AP)/6-2003/3.12.2004. File Report (civil)/1/Vol.42).

4.04 Paragraphs 2.1 to 2.13 Part II – Guidance on drafting – Style Guide – must be kept in view by the Report writing officers.

4.05 For every report, meeting the objectives means putting a premium on :

- Having a strong, clear report structure;
- Avoiding a temptation to include as much as possible of the information and analysis gathered during the investigation to support IA & AD findings and conclusions;
- Concentrating less on narrative descriptions of how things are done and more on why they are done, how well they are controlled and the results achieved; and
- Used hard evidence and telling examples to reinforce the messages in the report.

4.06 All drafts must pay close regard to the reporting objectives summarized above. It is not acceptable for drafts to be submitted on the basis that as much as possible should be included and that streamlining, selection and re-arrangement will be catered for by subsequent redrafting up the line.

The IA & AD style of report writing

4.07 Writing audit reports is not so different from writing any other kind of Informative writing. To give our readers a comfortable ride, use verbs actively, write short sentences and keep to the essentials. The more complex the subject the simpler the style should be. Our aim should be reports, which set out the facts in a series of short crisp paragraphs.

Drafting this way is not always easy. Everyone will have to be ruthless in revising their own material and rejecting what is not up to scratch. Always look critically at your finished work to see if you can answer 'yes' to the following questions.

Structure

Does it have a strong, clear framework which presents the material logically and to best effect?

Is it clear?

Does it get its main message across on first reading?

Will the language be clearly understood by the reader?

Is it free from jargon?

Simple and brief?

Does it concentrate on the main issues, avoiding aspects which are peripheral?

Does it give only the essential facts?

Does it include only essential words and phrases?

Accurate?

Is the information correct?

Are the findings supported by evidence?

Is the writing free from errors in grammar, spelling and punctuation?

Complete?

Does it give all the necessary information?

Does it answer all the important questions?

Balanced and fair?

Does it present both sides of the argument?

Does it reflect good performance and good VFM by the audited body as well as criticisms?

Are the audited body's views properly reflected?

Is the language used moderate and non-provocative?

Constructive?

Does it consider the feasibility of recommendations made?

Does it look forward to improvements rather than back at faults and weaknesses?

Length of reports, paragraphs, reviews and appendix.

4.08 As a rule of thumb, maximum length of the report (excluding overview and appendix) should be 120 typed pages. Overview should not normally exceed about eight to ten typescript pages. Length of the appendix should be less than 65 pages. Transaction audit paragraphs should not normally exceed two pages. Except All India reviews, other reviews should be confined to 20 typed pages. The 20 page limit of performance audit could be relaxed by 5 pages depending upon the availability of the material.

Structure of reviews

4.09 There is no ideal drafting model which is suitable for all reviews. A rigid format could become cumbersome and unimaginative. The main consideration is how the facts, figures and conclusions on a particular subject can most effectively be communicated and what form of presentation best meets that purpose.

4.10 There are two main structures adopted :

- a 'straight through' review incorporating recommendations in the main text;
- a review preceded by 'highlights' and ending with 'conclusion' containing recommendations.

4.11 Long reviews of about 15 pages should normally be preceded by 'highlights' containing the main findings. The 'highlights' should be concise (not more than 3 pages), but should sufficiently bring out the main issues to provide the reader with a clear view of the purpose and results of their view.

4.12 The ‘highlights’ is not intended to be free standing, mini-report and should contain the minimum of description and narrative. It is not always necessary for matters dealt with in the ‘highlights’ to follow the same sequence or be under the same headings as in the main text of the review; sometimes, for example, it may be desirable to arrange the ‘highlights’ according to the materiality of audit findings. However structured, the ‘highlights’ should cross refer to the relevant paragraphs in the report.

4.13 The review should be free-standing – ie. capable of being read without the need to refer to other source material or other published information. It is a condensed description of main issues, findings and conclusions, and supporting facts. The essential approach should be:

- Bring out the really important matters;
- Play down the less important;
- Omit the unimportant; and
- Generally be selective and concentrate on IA & AD analysis rather than on descriptions and narratives.

Appendix

4.14 If the main text of audit report involves detailed analysis of complicated issues, or statistics, these should normally be set out in an appendix. But do not use appendices simply to display how much information you have collected. They are not a vehicle for including descriptions of detailed systems or procedures operated within the audited body. Material should always be relevant and support the case being made. Appendices need to be drafted and edited just as carefully as the main text. As a rule of thumb, if information on less than five items is to be provided, the details may be incorporated in the main text itself, rather than as an appendix.

Diagrams, tables etc.

4.15 Full use should be made of facts, figures and relevant examples to give life to the report and to point the reader to significant issues and conclusions. Diagrams, charts, graphs and tables should be used to help get across important messages; and these should be, where appropriate, included in the text, not only in appendices. These can save a lot of explanation, provided

they are simple and well laid out and often convey more in a short space than stretches of narrative.

Glossary

4.16 Abbreviations in reports should be kept to a minimum. Where five or more abbreviations (or specialized terms) are necessary in the report then all abbreviations and terms used should be listed in a glossary at the end of the report.

(Paragraphs 2.1 to 2.13 Part II - Drafting Report – Style Guide IA & AD)

4.17 Paragraphs 7.3.27 to 7.3.51 of Comptroller & Auditor General's Manual of Standing Orders (Audit) Second Edition -2002 set out the general principles and instructions in the drafting of Audit Reports. They are reproduced below for ready reference.

4.18 In drafting the Reports, it is essential that a detached, dispassionate and an objective attitude is maintained and that expressions suggestive of a political opinion or bias are avoided.

4.19 The Overview, which would be printed in the Report in distinct coloured pages, should be drafted well, lucid, accurate and brief without compromising on essential details. The language used should be capable of being easily understood and use of parentheses should generally be avoided.

4.20 As the Audit Reports are intended for Parliamentarians, Legislators, the press and the people, the language used should be intelligible to an ordinary citizen. The Accountant General should endeavor to present a clear and correct account of the issues involved in the comments in plain language so that a person not versed in the intricacies of accounts and audit may be able to understand the financial implications without having to wade through a mass of statistical data or factual narration.

4.21 Accuracy, brevity, clarity and purposeful focus should be the hallmarks of the reports. The Audit findings should be significant. Efforts should be made to reduce the use of passive voice and complex sentences, and to avoid verbosity, parenthetical clauses and inclusion of information extraneous to the comments and strictly not relevant. The thrust of the paragraphs and reviews should come out clearly. Inclusion of statistical data

that are not quite relevant and not necessary for a clear presentation of the issues should be avoided.

4.22 If a table is included in a review/paragraph, it should be followed by a clear analysis of the information contained therein.

4.23 Technical expressions and clichés should seldom be used, if, however, their use is unavoidable, they should be adequately explained. Dates should be mentioned when necessary for a clear presentation of the case and where the time sequence is relevant to the effectiveness of audit comments.

4.24 In dealing with cases of irregular, excessive or wasteful expenditure and losses, efforts should be made to quantify their extent.

4.25 Draft paragraphs and, more particularly, reviews should be supported, where desirable, by graphs, charts, photographs, diagrams, sketches, etc. in order to improve the visual impact. It should, however, be kept in view that clearances may be necessary from the authorities concerned before maps and other sensitive visuals are printed in the reports.

4.26 In the case of reviews, their highlights should be included in bold letters, immediately after the preliminary paragraphs of the reviews dealing with introductory observations, the organizational arrangements and the scope and extent of audit scrutiny. The highlights should not mention any point that has not been included in the review per se. Similarly, in the case of very large paragraphs, the issues involved and the audit observations may be succinctly summed up at the end of the paragraphs.

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

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

4.29 If, in any case, it is absolutely necessary to refer to any correspondence with the executive government, its contents should be summarised as briefly as is compatible with clarity. Similarly, if it is necessary to refer to the infringement of any rule, whether statutory or administrative, a gist of the rule

should be given and the actual or possible effect of the infringement on the financial interests of the State clearly explained.

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

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

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

4.33 In drafting comments based on a study of the Finance Accounts, care should be taken to avoid general expressions conveying praise or blame with reference to the standard of financial administration achieved by government. The Report should also avoid references to estimates and prospects for future years.

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

4.35 The preparation of the Audit Report should receive the personal attention of the Accountants General. Every precaution should be taken to ensure that the factual information included therein has been fully verified and is complete in all respects for the purpose of supporting the audit conclusions. The key documents forming the basis of the audit comments in the Report must be attested copies of departmental records or statements and not merely memos issued by audit. The Government concerned should be afforded an opportunity to make such observations and comments as they may deem appropriate on the draft audit comments and the irregularities proposed for inclusion in the Audit Report. The audit comments should be drafted after giving full consideration to the remarks of the Department/ Government.

Replies received from them should be critically examined and suitably incorporated in the reviews and paragraphs concerned. The replies may also be quoted verbatim where considered necessary for emphasis. Further audit comments on the replies may also be duly incorporated. However, when, despite concerted efforts, Governments' replies are inordinately delayed, the reviews and paragraphs may be finalized after taking into account such remarks of the Heads of Departments and other responsible officials as may be available.

4.36 That the audit observations were referred to the Ministry/Department concerned and that no replies were received from them should also be indicated, along with the number of reminders sent to them. Instances of receipt of only interim replies should also be suitably mentioned in the respective reviews/Paragraphs.

4.37 The Accountant General may discuss with the concerned Administrative Secretaries the Government's replies and remarks on the draft paragraphs and reviews. Where considered necessary and possible, these may also be discussed with the Finance Secretary and the Chief Secretary.

4.38 The draft paragraphs proposed for inclusion in the Audit Report may be sent in triplicate to the Comptroller and Auditor General in convenient batches, as and when these are ready. As far as possible, paragraphs relating to a particular chapter of the Report should be sent in a single batch. Submission of the material should be so phased as to ensure the timely finalization of the Audit Report for its presentation to the Parliament/Legislature at the commencement of the budget session.

4.39 The draft paragraphs/reviews to be sent to the headquarters office should be typed neatly in double space and on good quality paper, a third of which should be left as a margin. The draft paragraphs/reviews meant for inclusion in the Reports of the Union Government should be linked with the key documents (KDs) highlighting the relevant portions therein. Inspection Reports are not meant to be sent as KDs. Where it is not desirable to disclose the names of firms, contractors etc. or the nature of the equipment, these details should be mentioned in the form of marginal annotations. The points mentioned in the 'High lights' should always be linked with the relevant sub-paragraph of the review.

4.40 A final draft of the Audit Report will be prepared by the concerned Accountant General/Principal Director of Audit after taking into account the comments of the Comptroller and Auditor General on the draft paragraphs and reviews sent initially in batches. The information presented therein should also be duly updated based on subsequent developments and replies. In finalizing this draft, due regard should also be paid to the observations/replies of Government.

4.41 Three bond copies of the final draft of the Audit Report, including overviews, should be prepared in loose sheets of A4 size paper. These will be placed in a plastic ring-clip folder and submitted to the Comptroller and Auditor General for approval.

Note: No change whatsoever may be made in the draft Report approved by the Comptroller and Auditor General without obtaining the clearance of his office.

4.42 As soon as the Bond Copy of the Audit Report is approved by the CAG of India, materials for inclusion in the Epitome should be sent to headquarters for approval. Similarly, the materials relating to Audit Report (Commercial), Audit Report (Revenue Receipts) for inclusion in the Epitome would also be sent by the respective Report Sections to respective Reports wings of HQrs for approval. After getting approval of HQrs, the Epitome should be printed in English. After all the Audit Reports for an year have been laid before the Legislature, copies of the Epitome should be sent to the Ministers, MLAs, Government Secretaries, other Accountants General etc.

Note : Instructions issued by Headquarters office for translation and printing of State Audit Reports in regional language must be complied with.

Improvement in the quality of presentation of audit paragraphs/reviews

4.43 Drafting and presentation of audit paragraphs/reviews may be improved on the following lines.

- Certain issues (for example, price escalation, delay in allotment of land, delay in award of work or delayed payment of bills etc) are sometimes commented at length in the DPs while these may be the symptoms of tardy management of the project/works or ill conceived and improperly estimated projects/works. The paras need focus on the main issues even while presenting other issues of price escalation etc.

The main presentational issue is, therefore, proper selection of significant/important facts as evidence and their interpretation and clear statement of main audit points.

- Audit paras should not be mere reproduction of the inspection report loaded with unedited details, unverified information and without consideration of response of the management. Since Draft Audit Reports are directed to the senior most level of Government such paras need reflect the mature consideration of the senior audit officials. Therefore due application of mind and careful drafting is essential in these cases.

- An important aspect of drafting is the articulation of the accountability aspects relating to senior management/Government. There is need to use proper words and expressions while conveying out observations and conclusions in such matters. Use of passive voice sometimes cloud the accountability aspects of the audit paras and reduce their impact. While commenting on accountability, we should refer to specific facts and rules and the responsibility of the officials in respect of failures and deficiencies.

- In the case of the “Top gist boxes”, the narration is often ridden with details and is not written in a simple language. These are also routinely written in passive voice leading to lengthy narration and lacking clarity. The para heading and content of the boxes are to be complimentary to each other so that together these present main subject of the para. Key details highlighted in 3-4 lines in the “Box” should be commensurate with the size of the para.

- The concluding paras are often a repetition of facts/narration of the para without a succinct presentation of the main audit comments and accountability issues. A very careful drafting and selection of words/phrases and their cogent presentation are necessary instead of a routine narration.

(Hqrs Letter No.654-Rep(S)/175-2000 dated.3 July, 2001 File Report (Civil)/I/Vol.41).

CHAPTER – V
PRINTING AND PRESENTATION OF REPORTS

5.01 The instructions to be followed in the printing of the Audit Reports are as under :

In preparing the documents for the press, every endeavour should be made to minimize the cost of printing, consistent with the requirement of presenting a clear, intelligible and readable compilation. The following points, in particular, should be borne in mind.

a. Before the documents are sent to press, the general arrangement of their printing should be carefully considered and the instructions given should be sufficiently clear and precise. The manuscript should be legibly type-written and should be sent in its final form.

b. The size of the documents should preferably be “RA 4”.

c. All statements should be printed vertically and not horizontally.

d. “Charged” expenditure should be printed in italics.

e. Different and distinctive types should be used for printing the headings and sub-headings.

f. Fractions of a rupee should be omitted.

g. The copy right of the Audit Reports which are prepared by the Indian Audit and Accounts Department rests with the Comptroller and Auditor General. The following should be printed at the back page of compilation.

“ © Comptroller and Auditor General of India (Year of Publication)”

h. Copies of the documents in excess of the number really necessary should not be printed. The number required for the use of the Government concerned should be ascertained beforehand. The Audit Officer arranging printing of the documents should estimate his requirements for his office library, for circulation among his establishment and for supply to officers with whom he exchanges publications. The number of copies to be offered for sale should be determined well in advance in consultation with the Publication Branch of the Government concerned.

i. The logo of the State Government would continue to be printed on the cover of the State Audit Reports wherever this is already being done. The Ashoka Pillar with its own motto will be printed on the covers of all other Reports.

j. The space between the designation of the Principal Audit Officer and the word “Countersigned” on the signatory page of the Printed Audit Report should be one inch (1) and that between the word “Countersigned” and the name of the Comptroller and Auditor General should be one and a half inches (1½”). Similarly, the space between the text of the Audit Certificate and the name of the Comptroller and Auditor General should be one and a half inches (1½) inches in the Finance Accounts and Appropriation Accounts.

Formats for all the Audit Reports have been standardized with a view to exhibiting them on the Internet. The Reports should be formatted on common parameters according to the instructions contained in letter No.85-Rep(C)/156-98 dated 25th January, 1999 issued by the Comptroller and Auditor General.

(Annexure – 3 to Para 7.3.53 to CAG’s Manual of Standing Orders (Audit) 2002).

5.02 The printed copies of the Reports should be submitted to the Comptroller and Auditor General of India for his countersignature so that these are available for presentation to the Parliament/Legislature as early as possible. As these reports also deal with points arising from the Finance Accounts and Appropriation Accounts, the Accountants General (A&E) and the Accountants General (Audit) should so co ordinate their efforts so as to ensure, as far as possible, that all the three documents are forwarded simultaneously to the Comptroller and Auditor General, notwithstanding the fact that the simultaneous presentation of the Accounts with the Audit Reports to the State legislatures has been dispensed with in terms of the headquarters U.O.No.334-AC-Mis/224-99 dated 7th July, 2000.

5.03 Five copies of the Reports of the State Governments should bear in the last page, the signature in original of the Authority responsible for authenticating the Reports in question. Adequate space for the

countersignature of the Comptroller and Auditor General should be left immediately below this signature.

Note : The Chairman, Audit Board, Principal Accountant General(C&CA), Director General of Audit or the Principal Director of Audit, as the case may be, actually in position, at the time the Reports are finally printed are responsible for their authentication even if these had been finalized during the incumbency of their predecessors and should, therefore, sign the printed copies.

5.04 In order to enable press correspondents to select the more important audit observations/comments for publication, a press brief, which should be more or less a copy of the “Overview” printed in the Report, should be issued separately for each Report as and when it is laid before the Parliament/Legislature. Copies of the Reports will also be made available along with the press brief. As per the latest media policy, the designated officers holding the press conference may send copy of the approved press brief to the editors of newspapers and other sources of media along with the information regarding the date of presentation of the report to the State Legislature. They may also circulate copies of the press brief on the spot to media persons attending the press conference.

5.05 Any errors noticed in the printed copies should be neatly corrected in the copies sent to the Comptroller and Auditor General. Where the number of errors is such as will require the inclusion of errata, this should be printed only after an intimation of the document having been signed by the Comptroller and Auditor General is received. This will enable the Principal Accountant General to incorporate in the errata any other mistakes or other typographical errors that may be pointed out by the Comptroller and Auditor General. The errata should confine itself to only the more significant errors.

5.06 No correction slips should be issued after the Reports have been forwarded to Government. If a serious error or misprint comes to notice after this has been done, it should be immediately brought to the notice of the Comptroller and Auditor General along with an explanation of the circumstances in which the error could not be noticed and rectified earlier. If

it is decided to issue an amendment, the correction slip will be issued in the name of the Principal Accountant General who is responsible for the preparation of the Report, but it should not bear any date. The Principal Accountant General shall ensure that any such correction slip issued is pasted in the copies countersigned by the Comptroller and Auditor General and intended to be laid on the table of the Parliament/Legislature.

5.07. No correction slip can be issued after the documents have been laid before the Legislature. Any errors noticed subsequently should be reported to the Comptroller and auditor general with an explanation for the omission to detect them earlier.

(Paras 7.3.55 to 7.3.60 of CAG's M.S.O. (Audit) Second Edition, 2002)

Number of copies of Audit Report to be printed

5.08. The total number of copies of Audit Reports to be printed is decided by the Principal Accountant General. At present 850 copies of English version of the Audit Report and 350 copies of Malayalam version are printed.

Of these, nine copies will be bound in full leather and three copies in calico. In five of the leather bound copies which are to be signed in ink, the facsimile signature of the Principal Accountant General and the Comptroller and Auditor General of India will not be printed.

Seven leather bound copies (including 5 which are to be signed in ink) are intended for submission to the C & AG. The remaining leather bound copies are to be kept in PAG (C&CA) library in the same form as the Report sent for countersignature of the C & AG.

Note : While forwarding the printed copies of the Report for the CAG's signature, the name of the Finance Secretary to the Government should be intimated to enable the C & AG to forward the signed copies of the Report to him by name. The name of the Secretary to the Governor should also be intimated to enable Headquarters Office to advise him about the despatch of the Report to the Finance Secretary.

(CAG's Letter No.42-Rep/167-67 (XIV) dated.6.1.1969 Para 6.03 of Manual of the Report (Civil) Section First Edition).

Incidence of the cost of printing of the State Audit Report

5.09. The entire cost of printing of the Audit Reports (English as well as Malayalam) is borne by the IA & AD.

Supply of copies of Audit Reports to other Audit Offices and institutions etc.

5.10 Copies of Audit Reports on the accounts of the Government of Kerala may be supplied to other Audit Offices in India on an exchange basis as soon as the report is informally submitted by the C & AG to the Governor. While sending copies it should be stipulated that they should be treated as confidential until their presentation to the Legislature.

A reasonable number of copies (minimum 5 Nos.) of the Audit Report are to be supplied to other Principal Accountants General on exchange basis once the Audit Report is placed before the Legislature. Two copies of the Report are to be sent to the Lok Sabha Secretariat (APC Branch) immediately after the Report has been presented to the Legislature. A copy of the Report may, after its presentation to the Legislature, be supplied to the head of the State Vigilance Department. Immediately after presentation of the Report to the Legislature, copies of the Audit Report should also be sent to various authorities/institutions (outside IA & AD)

Weekly Progress Report

5.11 Printing of Audit Reports should be monitored closely by the Principal Accountant General/Accountant General to ensure that the printed Report is sent to HQrs Office at the earliest for countersignature of the Comptroller and Auditor General of India. A weekly progress report should be sent to Headquarters Office every Thursday positively both in respect of English and regional language version. This should be sent by e-mail and also by FAX to Principal Director (RS). It should also be ensured that all the corrections made in the Bond Copy at the approval stage are incorporated in the printed copy of the Audit Report and corrections so included are checked carefully before sending the printed Report to Headquarters.

(HQrs letter No. 42-Rep(S)/3-98 dated 15.1.2002)

Regional Language Version

5.12 Both the English and Regional language versions of the Audit Reports would be countersigned by the C&AG simultaneously. Hence translation of Draft Audit Report should be taken up soon after the dispatch of Bond copy to Headquarters office.

(Hqrs Letter No.1020 Rep(S)/3-98 dated .9.10.2001. file Rep (Civil) I/54-1/Vol 41).

Instructions to avoid delay in placing of Audit Reports before the Legislature

5.13 While forwarding the Bond copy to the headquarters, every care should be taken to ensure correctness of the facts, figures and comments included in the Reports and availability of sufficient evidence in support of those.

Translation work should be started immediately after the Bond copy is submitted to CAG or even earlier and should be completed in 3 weeks. Changes made while approving the Bond copy may also be carried out subsequently in the translated Report.

Compliance of the CAG's observations on the approved Bond copy should be given top priority and the revised material should reach Headquarters within 10 days from the date of receipt of the approved Bond copy by the PAG (C&CA).

While all efforts should be made to complete the printing of the Audit Reports and forward the signed Audit Reports to the State Government as early as possible, it should be impressed upon the State Government that the Audit Reports should be tabled in the Budget session. In case it is not possible to forward the Audit Reports to the Government during the budget session, Government may be requested to arrange placement of the Reports in the Legislature in the next session.

(Hqrs Letter No.701-Rep(S)/186-2005 dated 15.6.2005. File Rep(Civil)I/54-1/Vol 42).

Printing of Audit Reports should be completed and printed documents submitted to Headquarters within six weeks from the date of approval of the

Bond Copy by the Comptroller and Auditor General of India. As regards the translation works of the Audit Reports, instructions issued in Headquarters Circular dated 15.6.2005 pertaining to simultaneous translation should be strictly adhered to.

(HQrs letter No. 1082 Rep(S)/186-2005 dated 4.10.2005 – File Report (Civil)/I/54-4/2004-06)

Interface between the PAG (C&CA) and the State Administration for discussion of audit findings before inclusion in the Audit Report

5.14 Draft Audit Report at the annotated stage, which will be discussed with the ADAI, may be sent to the Chief Secretary for holding the meeting to discuss the Draft Audit Report. This is to save time and avoid delay in approval of the Audit Report. Since the due date for submission of the Bond copy to the C&AG is November, Draft Audit Report may be sent to the Chief Secretary incorporating the audit materials after 1st or 2nd batch of scrutiny at Headquarters level by the end of September so that discussion could take place by October end with the Chief Secretary and other officials of the State Government.

(Hqrs Letter No.864-Rep(S)/Misc/Kerala/150-2003 dated.5.8.2004. File Report (Civil)I/54-I/Vol.42)

5.15 A meeting at Chief Secretary's level would be held, with the Principal Accountant General (C&CA), about four weeks after the draft Audit Report is received by them and issues raised in the reports discussed.

(D.O Letter No.4580/PAC-AI/2004/Fin dated 1.7.2004 addressed to the CAG. File No. Report (Civil)I/54-1/Vol42)

Submission of Reports to Government

5.16 The Audit Reports are signed by the Principal Accountant General(C&CA) and counter signed by the Comptroller and Auditor General. Two copies of the Report bearing the signature of the CAG are forwarded to the Government for submission to the Governor in compliance with Article 151 of the constitution.

(Para 7.4.1 of CAG's MSO Audit).

5.17 One copy of the document signed by the C&AG is returned to the Principal Accountant General (C&CA) for record in his office.

(Para 7.4.2 of CAG's MSO Audit)

5.18 The Additional Deputy Comptroller and Auditor General in charge of Reports relating to State governments will forward the Audit Report signed by the C&AG, to the Finance Department of the State Government and also keep the Secretary to the Governor informed demi-officially by forwarding him an unsigned copy of the Report.

(Para 7.4.4 of CAG's MSO (Audit))

5.19 The constitutional position regarding laying of the Report of the Comptroller and Auditor General and the Accounts before the Parliament under Article 151(1) of the Constitution of India and examination thereof before they are laid before the Parliament is contained in Ministry of Law U.O.No.F 136/50-C dated 16.9.1950 endorsed to Government of India, Ministry of Finance. The same position holds good in the case of State Audit Reports and Accounts in regard to their submission to the State Legislature and examination by State Public Accounts Committee. Since the Audit Reports and Accounts are to be presented to the parliament or to the State legislature, they cannot become 'Public' until they have been laid on the table of the House. The Audit Reports should therefore appropriately be categorized as 'Confidential' documents till they are presented to Parliament/State Legislature. The same categorization should also apply to the Appropriation and the finance Accounts to which the Audit Reports relate as the accounts bearing the certificate of the Comptroller and Auditor General are also presented to the Legislature simultaneously and are taken as a necessary adjunct to the Audit Reports.

Therefore adequate care should be taken to see that the copies of the Audit Report and the Accounts are secured against use by outsiders till they are presented to the Legislature.

(CAG's Letter No.987/Rep(S)/82-85 dated 16.9.1985 Case Rep.I/54-1/XXIX).

5.20 Requisite number of copies of the Audit Reports may be supplied to the Finance Department after these documents are formally submitted by the CAG to the Governor of the State. While doing so, it should however be

clearly stipulated that these copies should be used for purely departmental purposes and neither published nor made available to the members of Parliament or Legislature or to others until the document is presented to the State Legislature. Copies of the Reports should be made available to other ministries, departments etc only after they have been presented to the legislature.

(Para 7.4.5 of CAG's M.S.O (Audit))

Notes : When a state is under President's rule, the procedure to be followed for submission of C&AG's Audit Report is the same as that applicable in respect of the Union Government Audit Report.

It has been decided by the Government of India in the Ministry of Finance that wherever president's rule in a state is extended beyond one year, the C & AG's Reports relating to the state would be placed in Parliament (*vide DO No.F6(90 – b (R)/94 dated 22.6.1994 of Ministry of Finance Department of Economic Affairs*).

Action taken on the Reports by Government

5.21 Soon after the Accounts and Reports relating to a State or Union Territory are presented to the Legislature, the Accountant General concerned will send a report to the Comptroller and Auditor General. If there is undue delay in presentation of the documents, the Accountant General will send a report to the Comptroller and Auditor General and also take such action locally as may be found appropriate for securing their early presentation to the Legislature. The Accountant General will also advise the State Government to take appropriate action immediately to complete the process for placing individually before the Legislature each of the Reports submitted to them without linking this with the receipt or presentation of other Audit Reports.

(Para 7.4.6 of CAG's MSOAudit)

CHAPTER – VI
PROCEDURE FOR THE CONSIDERATION OF THE ACCOUNTS
AND REPORTS PRESENTED TO THE LEGISLATURE

6.01 The procedure for the constitution of the Committee on Public Accounts of the State is detailed in Rules 242 and 243 of the Rules of procedure and Conduct of Business in the Kerala Legislative Assembly. The agenda for the meetings is drawn up by the Legislature Secretariat in consultation with audit. The inherent right of the Audit Officer to bring points to the notice of the Public Accounts Committee (whether such points are included in the agenda or not) is not, however, lost.

The Principal Accountant General(C&CA) attends the meetings of the Public Accounts Committee by special invitation and helps the members to understand the importance of a para or an irregularity and what exactly can be done by them in dealing with the different issues.

(Dy.C & AG's DO.Letter No.284/Rep/71-52/dated.13.4.1952 Case AA/54-4/52-53).

Note: Since the Finance Accounts and Appropriation Accounts are checked by the Principal Accountant General(C&CA) he is responsible for the material included in the Comptroller and Auditor General's Report based on the accounts and therefore it may not be necessary for the Accountant General (A&E) to be present in the sittings of the Public Accounts Committee for briefing the members.

(C & AG's Letter No.183.AC I/217-86 (General Circular No.9/AC I/19) dated.27.2.1987 – Case Rep.I/54-I/XXX).

6.02 The Comptroller and Auditor General has desired that all officers of the IA & AS should be associated with the meetings of the Public Accounts Committee, each officer being asked to attend along with the Principal Accountant General (C&CA) two or three meetings depending upon the number of meetings of the Public Accounts Committee. They might also be required to assist the Principal Accountant General in the same manner as the Audit Officer in charge of the Report Section does.

(Additional Deputy Comptroller & Auditor General's Do.No.708/Tech.Admn.I/ 220-64 dated.19.3.1964).

6.03 All reports presented to the Legislature stand automatically referred to the Public Accounts Committee. The Public Accounts Committee being a Committee of the Legislature and not a body created by the Constitution cannot examine the Report thereon before they are laid before the Legislature unless the Speaker of the Legislative Assembly specially authorises the Public Accounts Committee to do so. This convention has been agreed to by the State Government.

(CAG's letter 621-Rep/70-50 Pt.dated.29.12.1950 OM No.Fin(d) 2-3621/51 dated.6.4.1951 of the State Government Case AA 53-21/52-53 & CAG's Letter 3077 Admn.I/38562 dated.28.11.1962 Case AA.54-1/Vol.XI).

Note :- 1. The Speaker of the Kerala Legislative Assembly has authorized the Public Accounts Committees as a standing arrangement to examine the Reports before they are laid before the Assembly. The Committee should not, however, submit any report to the House before the Audit Reports are laid on the table of the House.

(Note below Rule 1 of the Rules of Procedure of the Committee on Public Accounts)

2. The Public Accounts Committee is entitled to discuss only what is included in the Reports placed before the Legislature and Audit is not entitled to disclose to the Public Accounts Committee any discussion between Audit and Government on matters not referred to in the Reports.

(CAG's Letter No.1540-Rep/194-64 dated.21.8.1964 Case AA.VII/53-2/64-65 GI).

6.04 The Secretariat of the Public Accounts Committee cannot call for particulars and documents regarding the irregularities etc, direct from Audit for scrutiny and inspection by selected members of the Public Accounts Committee. If they are required, they should be collected only from the Administrative Secretariat Departments of Government. Correspondence with Audit is not, however, precluded on matter of a purely routine character in connection with the more convenient arrangement for the transaction of the business of the Public Accounts Committee.

(Deputy C&AG's Letter No.487/Admn.I/51 dated.28.7.1951 Case AA.54-1/50-53).

6.05 It is not desirable or necessary for Audit to participate in any investigations or enquiries which the Public Accounts Committee might take up during their study tours. There is, however, no objection to the Principal Accountant General(C&CA) rendering necessary assistance in the normal way to the Public Accounts Committee in the course of on the spot study tours undertaken by it if,

a. The Committee holds examination of departmental witnesses in connection with the points included in or arising out of the material included in the Reports and the Appropriation and Finance Accounts.

b. The result of the examination will form part of the official proceedings of the Committee. The assistance rendered by the Principal Accountant General(C&CA) will be of the same nature as the one in the normal sessions of the Committee held at the headquarters.

(Addl. Deputy. C & AG(R)'s DO Letter No.333-Rep/26-62 dated.10.2.1964 and No.511 – Rep/26-64 dated.9.3.1964 Case AA/VII/53-2/63-64 Misc. and Gen. Cir.No.11 (1576-Rep)(S)17-82 dated.20.11.1984).

6.06 The Administrative Department concerned will sent to the Principal Accountant General(C&CA) three copies each of the notes explaining the remedial action taken on all audit paras forwarded by it to the Public Accounts Committee. These notes are to be sent within a period of two months of the presentation of the Report to the Legislature.

(Government Circular No.5/2001/Fin dt.24.1.2001)

6.07 In order to guide the Public Accounts Committee to pick out the really important points, the Principal Accountant General(C&CA) will prepare before the Accounts or Report is taken up for consideration a memo of more important points dealt with in the Report which he feels are important and which he would like to comment for the special attention of the Public Accounts Committee, and sent sufficient number of copies thereof confidentially to the Secretary to the Legislative Assembly for distribution among members of the Public Accounts Committee without the departmental witnesses having access to it. The Memo should contain such additional or background information as may be relevant for a proper appreciation of the issues that arise. Further developments if any may also be included in it.

(Addl. Deputy C & AG's DO Letter No.702-Rep/113-56 dated.7.5.1956 and CAG's Letter No.175-Rep/16-59(iv) dated.15.1.1960 Cases AA/53-2/56-57 and 53-2/G1/59-60/Vol.II)

Note: i. If during the course of examination of departmental witnesses further notes are called for by the Committee these notes might be verified by Audit, before they are submitted to the Committee.

(Para 119 of the III Report of PAC 1960-61 and G.O.M.S 530/60/Fin dated.7.11.1960)

ii. The following procedure has been laid down in this connection.

a. It is not necessary for Audit to vet the notes furnished by the Secretariat departments on the audit paragraphs prior to their examination by the Committee on Public Accounts.

b. Notes and other details containing information called for by the Public Accounts Committee during the examination of witnesses require vetting. However advance copies of such notes may be forwarded by the Government Departments direct to the Legislature Secretariat simultaneously when such notes are sent to Audit for vetting. In such cases 35 copies of the notes marked 'Advance copy. Not seen by Audit' may be sent to the Legislature Secretariat and 3 copies sent to Audit with supporting files. After vetting, Audit will forward the vetted copies of the note to the Legislature Secretariat.

(Government Circular No.61/73/PAC-1/Fin dated.13.8.1973).

iii. Notes on audit paragraphs to be examined should be furnished by the Administrative Secretariat at least 2 weeks before the day fixed for the discussion of the paragraphs by the Committee on Public Accounts.

(Circular No.7/83/Fin dated.15.2.1983 of Finance Department).

6.08 All written notes/statements of action taken by Government on the recommendations of the Public Accounts Committee are to be vetted by Audit before their submission to the Legislature Secretariat. While referring the draft note/statement of action memoranda, for the Public Accounts Committee to Audit for verification of facts, it should be accompanied by the relevant files and other documents on the basis of which the notes have been prepared. The draft should be approved by an officer not below the rank of a Joint

Secretary to Government who has ultimately to sign them. Based on the vetted copy, the Administrative Departments of Government will prepare the final copies and transmit them to Principal Accountant General(C&CA).

On receipt of the final copies, Principal Accountant General(C&CA) will forward them to Legislature Secretariat with his comments, if any, under advice to the Secretary to Government in the Administrative Department and the Finance Secretary to Government.

Note : Files are ‘documents’ relating to the particulars of transaction dealt with therein, for the definition of the word ‘document’ in section 3(18) of the General clauses Act, 1897 (Central Act X of 1897) is wide enough to cover, such note files also. Therefore, Audit can inspect note files also.

6.09. a. After examination of the audit paragraphs, the State Public Accounts Committee finalizes its report. The State Committee on Public Accounts 1987-88 in its meeting held on 18th December 1987 decided to adopt the same procedure as followed in the Lok Sabha secretariat in regard to finalization of its reports, which is as follows :-

“After the examination of the Appropriation Accounts and Audit Reports thereon has been completed and all relevant information obtained from Government, the draft report is prepared by the Secretariat based on the evidence, oral and written given before the Committee by the Departmental representatives. The draft report is then submitted to the Chairman for approval and a copy therefore is forwarded to the Principal Accountant General for factual verification.”

As regards vetting of the draft report of the Public Accounts Committee, the Comptroller and Auditor General has issued the following further clarification.

“ The Audit scrutiny is generally confined to see that the facts and figures included in the Report are correct. We do not influence the Public Accounts Committee in coming to its findings. The views expressed in the Report of Public Accounts Committee are exclusively its own. However, if any necessity is felt for suggesting modifications in its recommendation for a better appreciation of the facts, we do propose such modifications. The proposed modifications are discussed in the meeting of Public Accounts Committee. When the Report is taken up for adoption and if agreed, the

Committee modifies its recommendations to the extent necessary. The final direction in the matter whether to accept the modification proposed by Audit or not, however, rests with the Committee and we do not pursue it further”.

(CAG’s Office D.O Letter No.357-Rep(S)/Misc-87 (Co-ord) dated 22.3.1988).

b. The Action taken by Government on the recommendations of the Public Accounts Committee has to be reported to the Committee. Where the Government do not accept the recommendations of the Public Accounts Committee the matter has to be retransmitted to the Committee through Audit for reconsideration. After reconsideration, if the Committee does not reiterate their recommendations, the matter ends there. If the Committee reiterates it and the Government do not accept it even after such reiteration the matter has to be brought before the Legislature either by Government in the form of a resolution or by a further report by the Public Accounts Committee.

c. Similarly, if the recommendations of the Public Accounts Committee require any investigation by a Committee appointed by Government, the report of that committee along with the comments of the Government as well as of Audit thereon, has to be submitted to the Public Accounts Committee first for consideration. The Legislature will consider it only after Public Accounts Committee examines it and reports on it.

d. If the Executive Government decides to bring before the Legislature any difference of opinion between the Public Accounts Committee and the Government it should be done in a form which places the arguments unreservedly on both the sides, before the Legislature.

(CAG’s Letter No.193-Rep/6-54 dated.23.2.1954; Case AA 53-II/50-54).

6.10. The issues which have been included in the Audit Reports and which also have been examined by Financial Committees with suitable recommendations could be deemed to be settled and removed from the list of objections/Inspection Reports. It is for the Committee to pursue their recommendations in regard to such issues.

It must be ensured that Government takes suitable action on all the points included in Audit Reports even if the Committees do not discuss them.

(D.O No.109 audit II/2085 dated.17.1.1986 of Director of Audit case Rep.I/54-1/XXX).

6.11. As soon as the Report of the Public Accounts Committee is received from the State Government, a copy thereof should be submitted to the Principal Accountant General(C&CA) for perusal. The report then should be scrutinized in detail with special reference to the remarks made by the Principal Accountant General and there after six copies of the report should be sent to Comptroller and Auditor General of India. The portions of the report containing recommendations made by the Public Accounts Committee, promises made by the State Government or by the Principal Accountant General to the Committee and other points requiring further action on the part of the Government or Accountant General should be watched by Report Section.

(CAG's Letter No.577-Rep/51-74 dated.4.3.1974).

6.12. It is the duty of the Legislature Secretariat to watch the action taken or proposed to be taken by Government on the recommendations of the Public Accounts Committee arising out of the Reports and to take necessary action in pursuance thereto. The Legislature Secretariat will also issue once in five years an epitome of the recommendations of the Public Accounts Committee. The general responsibility for watching the continuous action taken on the Audit Report and Accounts of each year rests on the Principal Accountant General (C&CA).

(Dy. CAG's Confidential DO.838/Rep/71-55 (ii) dated.18.8.1953 Case AA. 54-4/52-53; Go(P)51/60/Fin. Dated.21.1.1960 Case AA. 53-39/58-59 Vol II and Rules 24 and 25 of the Rules and Procedure of the Committee on Public Accounts).

The work relating to the compilation of the epitome of the Report of the Committee on Public Accounts has been entrusted to Audit. The Public Accounts Committee section of the Legislature Secretariat renders assistance by making available the relevant documents required for the purpose and arranges for the printing and publication of the epitome.

(Minutes of the meeting held on 22.7.1974 by the Committee on Public Accounts 1974-75 and D.O Letter No.3504/LA 23/75 dated.11.8.1975 from the Secretary to the Kerala Legislature).

Note:- The Copies of the epitome of the Reports of the Public Accounts Committee should be sent to the Comptroller and Auditor General of India.

(Para 2 of Letter 1704-Rep/150-64 dated.27.8.1965 from the C&AG File AA/VII/53-45/55-63).

6.13. 1. The following procedure recommended by the Public Accounts Committee 1980-82 in their 31st Report has been accepted by the Government of Kerala for the regularization of excesses over voted grants and charged appropriations.

i. As soon as the Appropriation Accounts are finalized, the Accountant General (A & E) will inform the administrative departments of the Government concerned of the cases in which excesses have occurred under intimation to the Finance Department. This will be done by the middle of February following the year of accounts. However, in order to enable the administrative department to initiate timely action in the matter, a preliminary list of excesses will also be sent to the administrative departments concerned at the time when the Appropriation Accounts are sent to the Press for the first proof.

ii. The concerned departments will take effective steps to ensure that the notes for submission to the Committee are furnished to the Finance Department latest by the middle of April of the second year following the year of accounts.

iii. The notes will be examined in the Finance Department and will be forwarded to the Principal Accountant General(C&CA) for vetting within 15 days of their receipt.

iv. The Principal Accountant General(C&CA) will return the notes duly vetted within a fortnight of their receipt to the concerned administrative department direct under intimation to the Finance Department, after which the departments will take necessary action to submit the finalized notes to the Public Accounts Committee immediately.

v. The whole process will be completed and notes submitted to the Public Accounts Committee by 31st May or immediately after the presentation of the Appropriation Accounts to the Legislature whichever is later.

vi. After the Committee has examined the notes submitted by the administrative departments and presented its reports on the excesses, the

demands for excess grants will be presented by the Finance Department in the next following session of the Legislature.

(Government of Kerala Circular No.11/82/Fin. Dated.17.2.1982).

Note: For purpose of verification of the notes Principal Accountant General(C&CA) may consult the records available with Accountant General (A & E) and may also seek his help. There is not bar to call for departmental files, if necessary for verification or for deputing personnel for spot verification.

(CAG Letter No.1432-AC 1/214-86 dated.5.1.1987 – Case Rep.I/54-1/Vol.XXX).

2. The note for regularization of excess over voted grants/charged appropriations should cover the following points:

- i. Name and number of voted grant/charged appropriation.
- ii. Amount requiring regularization (total grant/appropriation, total expenditure incurred and excess expenditure requiring regularization). If part of excess expenditure is set off against savings under some other heads, details thereof.
- iii. Sub-heads in which expenditure exceeded the budget provision (including supplementary provision) and the nature of expenditure.
- iv. Whether the department was aware that adequate provision was not available to cover the expenditure.
- v. The reason why the expenditure could not be postponed to the next year.
- vi. When and by whom was the additional expenditure sanctioned and in which month was the excess expenditure incurred.
- vii. When did the excess come to the notice of the controlling officer/Government.
- viii. Why supplementary grants could not be moved before the end of the financial year.
- ix. Any extenuating circumstances for incurring such unauthorized excess expenditure.
- x. Whether reconciliation of expenditure has been done for verifying the bonafides of the expenditure.

(Government Circular No.16/87/Fin dated.17.3.1987).

3. In the case of vetting of notes for regularization of excess over voted grants/charged appropriations relating to the Legislature Secretariat the following procedure will be followed.

Files of the Legislature Secretariat need not be sent to Audit through the Finance Department for the vetting of 'Notes' for regularization of excess expenditure. The connected files will be made available in the Legislature Secretariat to the officers deputed by the Principal Accountant General (C&CA) for the purpose. The required files will be made available to them for perusal in the presence of the Joint Secretary of the Legislature Secretariat. The observations emerging as a result of the scrutiny will be communicated after the approval of the Principal Accountant General. If there are important points the Principal Accountant General will himself discuss them with the Hon'ble Speaker before communicating them in writing.

(DO Letter No.8362/AC D3/86/Leg. Dated.7.7.1987 and 28.8.1987).

4. Information regarding discussion of State Audit Reports by Public Accounts Committee should be sent to Comptroller and Auditor General quarterly in January, April, July and October each year, in the prescribed formats.

(CAG's Letter No.28 Rep(S)/62-83/KW dated.12.3.1984 File No. Rep IV/53-2/GI/82-84).

6.14. Response of State Government to Audit Reports – Constitution of Apex Committee

As recommended by the High Power Committee appointed by the Comptroller and Auditor General of India, Government of Kerala constituted an Apex Committee at Government level with the Chief Secretary as Chairman for regular review on follow-up action of the Audit Report. The Finance Secretary and Secretaries of the Administrative Departments are the members of the Apex body. The Apex Committee should meet at least twice a year to review the action taken by each department on Audit paras.

(Co-ordn No.13/2005/Fin dated 4.3.2005)

6.15. Action taken reports on PAC recommendation on Audit Report

In the meeting of the Apex Committee held on 19.12.2000, the following instructions were issued for strict adherence.

- i. A Monitoring Committee should be constituted in each Administrative Department in the Secretariat consisting of the Secretary concerned, Head of Department and a representative of the Finance Secretary for regular review of the follow up action on Audit Reports, PAC recommendations, Excess regularization, Draft paras etc. An officer is also to be designated as nodal officer in each department for monitoring the follow up action.
- ii. There should be an Audit Committee in each department for regular review of audit objections, inspection reports etc with the Head of Department as Chairman and the representative of the Principal Accountant General(C&CA) and Finance officers as members. In the case of major departments or departments where there is substantial pendency of Audit paras, Regional/Zonal meeting of Audit Committee has to be convened regularly. The Committee should meet once in two months and the progress has to be evaluated in the quarterly review.

CHAPTER – VII
IMPORTANT RULINGS AND ORDERS

7.01. Audit Comments relating to the Kerala Legislature Secretariat

a. The Speaker of Kerala Legislative Assembly has ordered that a convention similar to that prevailing in the two Houses of Parliament and the Tamilnadu State Legislature be established in the Kerala State legislature also according to which audit Comments relating to the Legislature Secretariat are not included in the Audit Report, but are to be discussed in camera with the Hon'ble Speaker of the Assembly.

(Letter No.18/LA 18/65 dated.3.4.1967 of the Kerala Legislature Secretariat File No.AA(vii)/64-65 Legislative Secretariat)

7.02. Irregularities relating to the State Khadi and village Industries Board

Individual irregularities relating to the State Khadi and Village Industries Board should appear in the civil portion of the State Audit Report. A General review of the manner of utilization of funds given to the State Boards by the Khadi and Village Industries Commission may however, be included in the Central Audit Report.

(CAG's Letter No.424/Rep/42-63 dated.4.3.1963 and 820-TAI/RGL/147-75 dated.6.9.1979).

7.03. Action on copies of the Reports received from other Audit Officers

As soon as reports are received from other Audit Officers, important comments there from should be extracted and circulated to all Gazetted Officers to enable them to watch for similar types of irregularities in their sphere of work.

(CAG's Letter No.817-Rep/6-59 KW(1) dated.17.3.1959. Case AA 54-1/56-57).

Report section should watch the receipt of the Reports from other Principal Accountants General.

(AG's orders dated 21.5.1962 in case AA VII/54-1/Vol IX)

7.04. Action to be taken on paras not discussed by Public Accounts Committee

The audit paras included in the Reports may fall broadly in to two categories (Viz).

- i. Objections raised on grounds of propriety.
- ii. Those relating to insufficiency or want of sanction or some records/sums due to Government awaiting recovery or write off etc.

So far as the paras in the Report falling in category (i) are concerned no further action would apparently be possible, after the cases are reported to the Legislature through the Report whether or not the PAC discusses the case. As regards cases falling in category. (ii), objection will have to be pursued for regularization, recovery etc as usual. If however, Audit is not satisfied with the action taken by Governments on any case included in the Report, whether that case was discussed by the PAC or not, it is open to the PAG(C&CA) to examine the case on merits for inclusion of such comments as may be considered necessary in a subsequent report.

(Confidential D.O Letter No.1569-Rep/45-66 dated.28.7.1966 from Deputy Director (Report-States) case No.Rep-53-2/PAC/65-66).

7.05. Report to be sent to the CAG when President's rule is proclaimed in a State

Whenever a State/Union territory goes under President's rule, the Principal Accountant General(C&CA) should send a report to the C&AG bringing out the following.

- i. Position as contemplated in the proclamation regarding laying the Accounts and the report of the CAG before the State/Union Territory Legislature.
- ii. Information about the Accounts/Reports signed by the C&AG and presented to the Governor/Administrator but awaiting presentation to the Legislature.
- iii. Latest position of discussion by State PAC/State Committee on Public Undertakings of Reports pending with them and of Reports finalized but not presented to the Legislature.

A Copy of the Gazette Notification containing the presidential Proclamation should also be enclosed to the Report.

(CAG's Circular No.1412-Rep/227/70/XIV dated.28.8.1971 in File No.Rep V/54-4/Vol.XVIII and AG's orders dated.23.9.1971 in General Instructions File).

7.06. Bringing of transactions of companies taken over by Government within the Government account

The transactions of undertakings taken over by the Government till their formal constitution/conversion into legal entities distinct from Government should be brought within the government account from the date of taking over and the expenditure of the undertaking should be duly got voted by the Legislature. The department concerned should evolve suitable accounting procedures in consultation with the Finance Department and the Principal Accountant General(C&CA).

(Circular No.46162/G1/86/ID dated 14th November 1987 of Government of Kerala – Industries (G) Department)

7.07. Issues covered by Media

The Comptroller and Auditor General of India has instructed that Audit should take due note of the significant issues brought out in the national Press to make audit more meaningful. All Officers and staff should therefore bring to the notice of the Principal Accountant General(C&CA), any significant points reported in the national press bearing on financial matters which are suitable for comment in the Audit Report.

(General circular No.24 Rep(S)/88 File Rep I/54-1/XXXI)

7.08. Lack of response to Audit Report Material.

Presently we are including one last paragraph below each audit paragraph or review indicating the time when the matter was referred to the Government and that the reply was not received. Headquarters office has instructed to expand this statement by giving a brief description about when the matter was referred to the Controlling Officer and subsequently to the secretary of the department and also the reminders issued to the Secretary. This can be included in every paragraph or review where response of the Government has not been received.

An omnibus paragraph on lack of response on Audit Report material may also be included in the Overview section of the Report indicating the total number of Audit Paragraphs and Audit Reviews against which response of the Government was not received.

(Hqrs Letter No.419-Rep(S)/90-99 dated.4.5.2001 File Report (Civil)I/54-1/Vol.41).

7.09. Internal control Mechanism to assess the quality of audit work.

In order to assess the quality and impact of audit, it has been decided that the Bond copies of Audit Reports may be accompanied by Assurance Memos signed by the Principal Accountant General (C&CA). The Assurance Memo should contain the following declaration.

- a. That the Audit plan for the year has been fully implemented,
- b. That all observations pointing out lapses in the implementation of systems and procedures and all weakness in the responsibility centers have been discussed with the heads of administrative departments and assurance obtained in regard to corrective measures for arresting potential risks.
- c. That in respect of reviews of schemes, samples have been selected based on risk analysis or risk perception and that the evidence of such exercise is available on record.

(Hqrs Letter No.116-Audit(AP)/4-2003 dated.22.8.2003 File Report (Civil) I/54-1/Vol.42)

7.10. Materials for Audit Report (Civil) – Soft Copy.

While forwarding materials for the Audit report (Civil) to the Headquarters, Report section should submit the soft copy (Floppy/CD in duplicate) along with the hard copy, right from the Batch stage to Bond copy stage. It should be ensured that the soft copy of the documents is virus free.

(Hqrs Letter No.1251 Rep(S)/Misc 2003 dated.23.9.2003 File Report (Civil)I/5401/Vol.42)

7.11. Forwarding of Draft Paras/reviews etc to Departments for comments

Under the present system, draft paras and draft reviews proposed for inclusion in the Audit Report (Civil) are forwarded to the state Government and Departments concerned for their comments. However, the final paras after

incorporation of their replies are not sent back second time to the Government/Department.

It has been decided that the final draft paras/reviews should be sent to Government/Departments whenever substantive changes are made in the para in the light of the replies received and they will be requested to respond within 10 days. A summary of their replies may be included in the Report, but need not be rebutted.

(Hqrs Letter No.1354 Rep(S)/149-2001 dated.21.10.2003 File – Report (Civil)I/54-1/Vo.42)

7.12. Over all page limit of Audit Report (Civil) Hqrs instructions

- As a rule of thumb, maximum length of the report (excluding overview and appendix) should be 120 typed pages. Overview should not normally exceed about eight to ten typescript pages. Length of the appendix should be less than 65 pages. Transaction audit paragraphs should not normally exceed two pages. Except All India reviews, other reviews should be confined to 20 typed pages. The 20 page limit of performance audit could be relaxed by 5 pages depending upon the availability of the material.
- Money value of Draft paragraph should be Rs 25 lakh or more for the states except for Himachal Pradesh, Punjab, Haryana and Pondicherry where it should be Rs.15 lakh. However, in case the Principal Accountant General feel that the draft paragraph with lower money need be included in the Report for special reasons, they may propose such paragraphs indicating such reasons for consideration.
- For the purpose of reducing the size of the Audit Report, good drafting and presentation methods should be emphasized at all levels and the Group Officers should play a key role in this regard. A strong management input at the level of the PAG will go a long way in achieving the necessary brevity with improved clarity.
- Reduction should also come out of routine paragraphs dealing with outstanding inspection reports, misappropriation and losses etc. and well considered compression and effective drafting without compromising quality of the Report.

- Attempts should be made to reduce the number of appendices to curtail the size of the Report. It should be ensured that while reducing the size of narration, no shortcut is adopted through increased appendices.

(Hqrs Letter No.353-Rep(S)/175-2000 dated 19.4.2001. File Report(Civil)I/54-1/Vol.41).

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