

(केवल विभागीय प्रयोग के लिए)  
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प्रधान निदेशक लेखापरीक्षा, उत्तर मध्य रेलवे,  
की कार्यालय पुस्तिका खण्ड 2 (तकनीकी)

**Manual of  
Office of Principal Director of Audit,  
North Central Railway  
Volume 2 (Technical)**

## **PREFACE TO FIRST EDITION**

This manual is issued for the guidance of the staff in accordance with paragraph 81 of the Railway Audit Manual (fifth edition) and its contents must be considered as subject and subsidiary to the rules in Audit Code, Audit Manual, Railway Audit Manual and other codes and regulations. The manual should not be quoted as an authority in any correspondence outside the office.

Principal Director of Audit will be grateful if omission or inaccuracies noticed in this manual and any suggestion for improvements are brought to the notice for issue of correction slips wherever necessary.

Prayagraj

October 2020

Sumant Narain

Principal Director of Audit

## LIST OF ABBREVIATIONS

A I	Indian Railway Code for Accounts Department Vol. I
A II	Indian Railway Code for Accounts Department Vol. II
E	Indian Railway Code for Engineering Department
S	Indian Railway Code for Stores Department
T	Indian Railway Code for Traffic Department
F I	Indian Railway Financial Code Vol. I
F II	Indian Railway Financial Code Vol. II
W	Indian Railway Code for Mechanical Department (Workshops)
RAM	Railway Audit Manual
MSO	Manual of Standing Orders issued by C&AG of India
CAG	The Comptroller & Auditor General of India
DAI	The Deputy Comptroller & Auditor General
DG	Director General
PDA	Principal Director of Audit
Dir	Director
DD	Deputy Director
GO	Group Officer
Sr.AuO	Senior Audit Officer
AuO	Audit Officer
BO	Branch Officer
AAuO	Assistant Audit Officer
Sr.Ar	Senior Auditor
Ar	Auditor
GM	General Manager
Pr.FA	Principal Financial Advisor
Sr.DFM	Divisional Financial Manager
DRM	Divisional Railway Manager
RB	Railway Board
MOF	Ministry of Finance
DOPT	Department of Personnel & Training
DEO	Data Entry Operator
PS	Personal Secretary
JHT	Junior Hindi Translator

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## CHAPTER 6

### GENERAL AUDIT PROCEDURE

#### 6.1 General

General principles and rules of audit applicable to different classes of transactions laid down in the CAG's MSO (Tech) I to the extent they can be applied to the railway audit and detailed instructions contained in the Secret Memorandum of Instructions regarding the extent of Audit (MOI), Chapter VIII to XI of the RAM and New Norms 2003 should be followed.

#### 6.2 Programme of Audit

Instructions contained in Annexure of Memorandum of Instructions regarding the Extent of audit (Railway Audit) and Paras 122 & 123 of RAM should be followed. No new item of financial transaction which is not covered by existing items in the prescribed programme of audit should be allowed to escape audit scrutiny and if any such item is met with it should be brought to the notice of PDA for arranging its audit.

#### 6.3.1 Periodicity of Audit

Para 124 of RAM lays down that PDA should fix after taking into consideration local circumstances dates by which audit of various records and documents should be taken up and completed. The dates on which various accounts records and documents will be made available for audit should be settled with Chief Accounts Officers. Accordingly, the following procedure is prescribed.

#### 6.3.2

In the case of documents audited every month, audit is done in the fourth following month e.g. audit of vouchers/documents pertaining January is done in May. The following however, are the exceptions.

Sanctions received in a month are audited during the following month. Completion Reports sanctioned in a month are audited during the following month:

1. Sanctions received in month & Completion report sanctioned in a month are audited during the following month.
2. All items of Traffic Audit Programme are audited in the fourth following month except review of Arbitration cases and Court judgments cases decided against Railways
3. All items of Construction Audit section which are audited in the fourth following month except Review of Arbitration cases and Court judgments cases decided against Railways are audited during the following month.

#### 6.3.3

In the case of documents audited periodically the following procedure is set out.

(a) Items which do not depend on closing of March Accounts: These items should be completed within a period of three months i.e. annual items as well as half yearly items for the half year ending 31st March should be completed by 30th June and arrears would be reckoned from this date in the Progress Report Register. Similarly, for half year ending 30th September, the work should be completed before 31st December. The audit of these items should be distributed evenly during the whole period to avoid their being accumulated at the end of the year.

(b) Items which depend on the closing of March Accounts:

No rigid due date can be laid down for the completion of audit. This work has, however, to be completed well in time before the due date for the issue of the audit certificate.

#### 6.4 Selection of documents for Audit

#### 6.4.1

Instructions contained in Chapter X of RAM should be referred to. The following instructions are laid down:

- a) The audit work is to be conducted under the personal supervision of the BO in charge and different classes of vouchers and document to be audited during a month should be selected under his/her personal supervision in no case should the selection be entrusted to other staff.
- b) In selecting the vouchers for audit, the officers should aim as far as possible at a method under which the accounts of all the spending Departments come under audit within a prescribed periodicity of audit and that no particulars class of vouchers left unaudited. In selecting the vouchers for audit it is essential to avoid the danger of such selection becoming mechanical. Attention should be especially devoted to the audit of items of unusual, expenditure and important vouchers and records. Statistical Technique in audit should be adopted.
- c) In cases where selection of vouchers is based on units e.g. selection of Pay-bills in establishment and Workshop sections, muster rolls in Workshop Section, Station accounts in traffic section arrangement of units should be reviewed by the AAuO of each section once a year before audit of accounts for April is taken in hand so as to keep the list of units up to date. A record of such a review should be kept in the selection Register.
- d) When the number of vouchers to be selected for audit in accordance with the percentage fixed in the programme of audit is a fraction under one, one voucher should be selected for check. This principle should be applied for current and Post Review also.
- e) Selection of paid vouchers is normally made with reference to the Abstract of Bills received in a month (A 1104). Where selection is made from the register of Bills received (A 1104) half-yearly reconciliation between these two Registers is to be done. The month of account for audit is taken as the month in which the paid voucher is entered in the CO6 Register irrespective of the period to which the payment relates.
- f) The system of selection should involve minimum labour (cf para 146-RAM). As far as practicable, the CO 6 and Co 7 Registers maintained by the Accounts department should be put up to the Officer along with the selection voucher register who will mark the vouchers selected for audit in the selection register direct. Copying of the vouchers in rough sheets should be avoided to the extent feasible. In cases where this is not feasible, a rough selection register may be maintained wherein the CO.7 and amount of the vouchers should be first listed separately for each item in this register.
- g) The total number of vouchers in each category, the extent of audit and the No. of vouchers to be selected should be indicated. The register should then be put up to AAuO/BO for selection. A few pages should be allotted for each item of audit in this register and the selection for the same item from month to month should be obtained consecutively. In respect of items of audit for which a unit or units are selected a complete list of units may be entered at one place and the selections obtained against the units from month to month.
- h) In respect of items in which the extent of check is 100% the vouchers should be copied down directly in the selection registers from the CO 6 Registers, Index Registers etc.
- i) Copies of sanctions of President, RB, GM/HOD and others which are received in this office are entered directly in separate section-wise registers. The selection of sanctions should be marked in this register itself. These registers serve as selection registers for sanctions.
- j) In pursuance of HQrs instructions the statistical sampling techniques in audit selection of vouchers for audit using random number table should be adopted.

**6.4.2** The selection should be taken before the 20<sup>th</sup> of the previous month so that the

selected documents may be obtained from the Accounts office to commence audit in time. Full particulars of Pay-bills amount of vouchers etc. should be entered in the selection register.

**6.4.3 Selection Register.** The percentage/quantum of audit as noted on the top pages in the selection registers against the various categories of documents for current and post review should be invariably attested by AAuO.

**6.5 Requisitioning and returning of vouchers**

**6.5.1** Sections should make their own arrangements for obtaining vouchers etc. for audit. Requisitions calling for vouchers and documents selected for audit should be sent by 25<sup>th</sup> of previous month to Accounts Office without delay, over signature of AAuO. Requisitions for departmental files should be sent over signature of BO endorsing a copy to Accounts Officer.

**6.5.2** On 5<sup>th</sup> of the month in which audit is to be conducted, AAuO of the section should review the position and list out vouchers still wanting and report the position to BO.

**6.6 Audit Enfacement**

Refer para 126 of RAM

All vouchers/documents audited either at Head Quarters or during local inspections should be stamped with a special stamp Audited and initialed and dated by the Ars concerned. (Except Provident fund Ledger cards, in which case a record of PF cards audited should be maintained in Selection Register). When nominal and numerical audit are conducted for the same months, audit Enfacement separately for nominal check is not necessary (CAG's letter 780-TAI-83-72 dated 4.4.1972).

**6.6.2** General Section will supply the Stamp for this purpose which should be under personal custody of AAuO in charge of the Section. The AAuO should ensure by test check that documents are duly stamped and initialed.

**6.7 Completion of Audit**

**6.7.1** Immediately after audit of an item is completed, the staff should record in Selection Register their dated initials against the item completed to show when the work was completed. Particulars of Vouchers or documents not made available and hence not audited should be indicated clearly in the register.

**6.7.2** According to para 151 of RAM after Ar. have completed audit of documents, AAuOs should review them to see that no important points have escaped the Ar's scrutiny; the items selected for his/her current review should be audited in detail. The general review should be directed to ensure that vouchers due for audit have been received and duly audited by the Ar. For this purpose, Selection Registers should be so maintained that they give a complete list of vouchers etc. which were selected for audit & which have been audited by the Ar. To achieve this, it is necessary that not only unit selected for audit during the month is indicated in the Selection Register and attested by all concerned but also a list of all vouchers coming under that unit is shown in the Register and attested. Thus in the case of Establishment Bills audit, it will not be sufficient if the unit alone is indicated in the register but it will be necessary to incorporate therein a complete list of all the CO6 and CO7s involved. Similarly in the case of accounts of subscribers to SRPF etc., it will not suffice if merely a reference to the deduction list is quoted in the Selection Register but it will be necessary to incorporate a list of the employees whose accounts have been checked during the month.

**6.7.3** As regards Traffic Audit Sections, procedure outlined above should be followed mutatis mutandis with relaxations detailed below:

a) In respect of parcel way Bills and Goods invoices, name of stations and number of way bills etc. may be mentioned in Selection Register. In respect of warrants and credit notes, name of Station and total number of Vouchers together with Bill no. and date may be mentioned in the Register. This relaxation may be applied to all

such traffic audit items in respect of which it is not possible to apply the provisions mentioned above. The items listed by Ars in this manner should be generally reviewed by AAuOs to ensure that important checks have not been omitted by the Ars in respect of items which are not selected for current Review.

**6.7.4** Ar concerned is responsible for audit of all documents which are allotted to him/her for audit unless he/she has reported in writing that he/she has not audited, certain specified documents with reasons therefor. Such reports and the orders thereon should be filed along with orders relating to selection of specific documents.

**6.7.5** Vouchers selected purely for tracing should bear the enfacement 'Traced'.

**6.7.6** An item of work cannot be considered as having been completed until current review of vouchers has been completed and test audit note, if any, on the results of audit, issued. A Certificate of completion of audit and review should be given in Selection Register in the following form:

'Certified that Selection of Vouchers due for audit for the month has been completed and that all vouchers documents selected for audit and review have been audited and reviewed and those required to be submitted to GO for review have been submitted'.

(CAG's letter No. 1213-RAI/173/64 dated 24.4.1964)

## **6.8 General Review**

All items for which general review has been prescribed excepting those to be originally audited by AAuO /BO may be entrusted to Ar and concurrently reviewed by AAuO. On completion of periodical items viz. quarterly, half-yearly and yearly) a note should be put up to BO indicating the result of audit.

## **6.9 Original Audit by BOs and AAuOs**

**6.9.1** Refer para 140 of RAM

GOs, BO and AAuOs in charge of auditing sections are required to do original audit work amounting to not less than two days work in a month as part of their duties, the percentage of check being that prescribed in the Secret Memorandum of instructions.

**6.9.2** For this purpose separate list of original audit work are prepared for the following sections.

- |                            |                       |
|----------------------------|-----------------------|
| 1. Inspection of Hdqrs     | 4. Divisional Audit   |
|                            | 5. Construction Audit |
| 2. Books & Budget HQ       | 6. Traffic Audit      |
| 3. Workshop & Stores Audit | 7. Stores Audit HQ    |

**6.9.3** These items are to be got approved by PDA, through COR Section. One item from this list should be selected by the BO for the original Audit to be done by AAuO/ BO by 25<sup>th</sup> of every month for selection of items for Original Audit in the following month. As quantum of work involved in an item will be dependent upon actual number of transactions, vouchers, etc. which varies from section to section and from period to period, it is possible that some items may not work upto two days work. To make up such deficiency, additional items from the list should be selected and audited by AAuO/ BO.

**6.9.4** A register of original audit should be maintained for each AAuO/ BO in the proforma prescribed.

**6.9.5** In order to enable the COR section to review these lists (c/f para 141 RAM) the BOs should send their suggestions for additions/deletions etc.to COR section by 15th of February every year. The approved lists should be circulated by the COR section to all sections/divisions in April every year.

## **6.10 Current Review**

**6.10.1** Refer Paras 151-152 of RAM

Audit work done by Ars/AAuOs should be current reviewed by AAuO/BO

respectively. As soon as audit is completed by Ar, AAuO should obtain selections for current review from BO in a separate register maintained in the form prescribed in annexure 43 of this Manual.

**6.10.2** As and when original audit is completed by AAuO the vouchers, documents and the Original Audit Register should be submitted to the BO for current review. Particulars of vouchers current reviewed, and current review remarks of BO should be noted in Original Audit Register of AAuO.

**6.11 Post review**

**6.11.1** Refer Para 154-159 RAM

Entire work done in a section should be subjected to post review twice a year once by AAuO and once by BO. Post review is done in the month following the month of audit. For this purpose all monthly items of audit work in a Section is divided into twelve (12) units and one unit each is selected for post review by AAuO/ BO every month. Every section should have a separate list of periodical items and the current review/post review should be arranged as and when audit of these items is completed. Selection of unit for post review by AAuO will be made by BO. Selection for original audit, post review and current review by BO is done by BOs themselves. For original Audit and Post review by BOs, Selection is made from the list of items approved by the PDA.

**6.11.2** One half of post review done by BO should be devoted to a recheck of current review done by AAuO. As in the case of original audit, the BOs should send their suggestions for additions or deletions to list of items for post review to COR Section by 15th of February each year. The approved list will be circulated by COR in April each year.

**6.11.3** Selection of AAuOs for Post Review for headquarters audit sections and will be made by COR section. As far as other Divisions are concerned, selection of AAuOs will be made by BO.

**6.11.4 Submission of Registers of original audit, current review and post review by BO and post review register of AAuO.**

All sections and Divisions which are under direct charge of PDA of Audit should submit these registers to PDA. Sections and Divisions which are under direct charge and supervisory charge of GO should put up these registers to GO. However, when there are important results of original audit/current and Post Reviews the registers should be submitted to PDA.

**6.11.5** All sections and Divisions which are under supervisory charge of GO and Sections which are out of Allahabad and are under direct charge of PDA should send a monthly report to PDA through COR section bringing out cases of delays/arrears in submission of returns along with monthly and quarterly arrear report in the same form in which arrears are reflected in calendar of Returns.

**6.12 Maintenance and submission of other registers**

For all other registers like progress report register, Register of Recoveries etc. which require to be maintained by the section, instructions contained in Appendix III of Office Manual Vol.-I should be referred to.

**6.13 Monthly Arrears Report**

Monthly Arrears report should be submitted to reach co-ordination section on 7th of every month (The Divisions should despatch the return on 6th of the following month). The form in which this report should be sent is given as Annexure 15 to this Manual).

**6.14 Quarterly Arrear Report**

Arrear report for Qrs ending 30<sup>th</sup> June, 30<sup>th</sup> Sept, 31<sup>st</sup> December & 31<sup>st</sup> March is required to be submitted to CAG by Coordination section. All sections & Division should, therefore, submit there arrears reports to Coordination section by 5<sup>th</sup> of July,

October, January & April.

**6.14.1 Monthly & Quarterly Arrear Report**

See para 101 of RAM & 21 to 23 of MSO (ADMN) Vol I.

**6.15 Raising and pursuance of audit objections**

**6.15.1** Refer also instructions contained in Chapter XXII of the RAM.

**6.15.2** Recoveries which come within the powers of waiver of the PDA Objections coming under the above category may be formally raised and communicated to the Pr.FA for further necessary action. They need not be included either in Part I or II of either audit notes or Inspection reports and their disposal need not be watched by Audit but simultaneously with the communication of the above points to the Pr.FA the recoveries may be entered in a register and submitted to PDA for his/her formal waiver.

**6.15.3** Other objections that do not come within the powers of waiver of PDA may be incorporated in rough audit notes. These rough audit notes should be signed by AAuO/BO and sent to their counterparts in Accounts office demi-officially. Rough audit notes/draft inspection reports conveying routine remarks may be issued by AAuO. They should be discussed with Accounts Officers within a fortnight and objections relating to Accounts office should as far as possible be settled on the spot. Where remedial action lies with an Executive Officer located at Headquarters the same procedure should be followed by inviting the officer for discussion. In these discussions they should try to settle as many items as possible. Minutes of such discussions indicating action to be taken by Accounts, audit and executive should be prepared and signed by representatives of the three Departments. Points which remain unsettled after these discussions (due to differences in opinion or for want of further information) and important procedural defects should alone be issued in the form of audit objections either part I or part II.

**6.16.1 Drafting of objections**

Instructions contained in para 799 of MSO (T) and para 461 of RAM should be followed. Objections proposed to be included in special letters, inspection reports should be self contained and all supporting documents together with relevant papers containing railway administration's reply, if any, to original Rough Audit Notes, minutes of discussion, if any held, should be submitted for approval through Co-ordination section who will scrutinize the same before submission to PDA.

**6.16.2 Closing of objections:** Special letters should be closed only with the approval of PDA. However, part I Audit Notes/Inspection Reports may be disposed of by the Group officer.

**6.17 Changes in form and classification**

Refer 408 of RAM

All auditing sections should send to Books & Budget (HQrs) Section copies of all railway Board's letters, authorising changes in form and classification, received by them for record in Central Register maintained by that section to enable it to check consolidated statement received from Pr.FA each year.

**6.18 Difference of opinion between Audit and Accounts or Executive**

Refer paras 479-482 of the RAM.

The BOs should bring to the notice of the GO the cases in which, the Accounts/Administration differ in principle from the points of view held by audit or there is a significant divergence of views in the matter of interpretation of orders or justification of expenditure. Such cases, would be pursued on the lines indicated PDA wherever necessary.

Instructions given in para 134 of the RAM may also be kept in mind.

**6.19 Audit of Appropriation Accounts**

Audit of Appropriation Accounts should be done as expeditiously as possible

adhering to the programme fixed by CAG and circulated to all sections and Divisions by Books & Budget (HQrs) Audit Section. To watch timely submission of these, sections/Divisions should make necessary entries of items of demands/Annexures required to be dealt with by them in the Calendar of Returns (if found necessary separate calendar of returns may be maintained) to Books & Budget Audit section every month. (during first week) explaining reasons for delay in finalisation. Books & Budget (HQrs) Audit section should submit these returns to PDA for information.

## 6.20 Audit Certificate on March accounts

Refer para 8 of RAM and note given thereunder

After audit of March accounts, a clear audit certificate should be given where audit observations do not in any way affect accuracy of accounts. As regards those items of arrears or observations which partially affect accuracy of the accounts, audit certificate may be qualified if arrears are chronic or amounts involved are substantial or the points are of exceptional importance.

Non-availability of certain vouchers such as pay sheets, contractors bills, pay-orders unpaid wages statements, claim cases, journal vouchers etc.

Non-preparation of certain subsidiary accounts such as capital & Revenue accounts of residential buildings, statement of stores transactions etc.

Non-completion of certain subsidiary register such as scale check register, register of overpayments made, non-alteration of Provident Fund ledgers, non-issue of annual statement of Provident Fund subscribers etc. Separate lists of such arrears should, however, be sent along with the certificate.

To enable Books & Budget section to send a consolidated certificate to CAG, so as to reach him before 1st October of each year all section/divisions./BOs should send Audit certificate to Books & Budget section before 15th September after completion of audit of March Accounts and annual items by that date. If the audit of any item cannot be completed either due to arrears in Accounts office or due to non-availability of vouchers the certificate should be qualified and complete lists of all items in arrears should be sent along with a certificate in the proforma shown below.

List (A) showing particulars of items which directly affect accuracy of accounts.

Section	Sr. No	Particulars of items in arrears	Month of accounts	No.of vouchers	Remarks
---------	--------	---------------------------------	-------------------	----------------	---------

List (B) showing all other items that do not have a direct bearing on their accuracy.

Section	Sr. No	Particulars of items in arrears	Month of accounts	No.of vouchers	Remarks
---------	--------	---------------------------------	-------------------	----------------	---------

Suitable remarks as to whether the delay in respect of items is chronic or not i.e. whether the arrears are spread over a number of years (if so, the details thereof) and whether they are of regular feature should be given in the remarks column of the proforma. On receipt of these statements from the sections, the Books section should consolidate the statements PDA for orders as to the further action to be taken.

## 6.21 Audit of sanctions

**6.21.1** All the sanctions accorded by the President, RB and the GM/HOD relating to either Head Quarters of Divisional Offices are received in Head quarters Section in the first instance. They should be entered in a Register separately for sanctions accorded by Railway Board or higher authorities and GM. They should be audited with reference to papers available with Pr.FA and with reference to rules on the subject and then



passed on to the divisional office for further scrutiny in the light of any papers or information which may be locally available in that office. Any points which the divisional offices may desire to raise in connection with these sanctions a result of their scrutiny should be put up to the PDA/DD through the Headquarters section for orders. Sanctions where no papers are available in Pr.FA's office should be sent to Divisional Audit Offices for audit and scrutiny. Divisional Audit Offices may furnish their remarks if any, to the HQ section for advice, if necessary.

**6.21.2** The sanction should be audited with reference to paras 67, 132,202, 250 of the RAM. Sanctions having limited currency should be traced into the register maintained for the purpose in the Accounts Office.

**6.21.3** Sanctions issued by the GM/HOD should not be challenged in audit without the knowledge of PDA.

**6.22 Sanctions accorded by authorities subordinate to the General Manager**

**6.22.1** Sanctions accorded by the authorities subordinate to GM received in this office should be test checked to the extent prescribed. The work is to be done by the Headquarters auditing sections which should adopt the following procedure.

a) The sanctions received from the Heads of Departments should be noted in a separate register.

b) On or before the 5<sup>th</sup> of each month, the sanctions received during the previous month should be grouped division-wise and put up to the BO along with the register for selection of the sanctions for audit.

c) Sanctions selected for audit should be retained by headquarters section for audit and the rest should be sent to divisions concerned.

d) The selected sanctions should be audited in the same manner as Railway Board's and General Manager's sanctions.

**6.22.2** Divisions should adopt a similar procedure in respect of sanctions accorded by the Divisional Railway Manager.

**6.22.3** Sanctions issued by authority of the rank of the DRM or Dy.HOD should not be challenged in audit without the prior approval of the DD.

**6.22.4** Sanctions of HODs may, however, be accepted in audit by AAuO

**6.23 Allocation and tracing of bills**

The allocation of charges should be checked as per para 217 of RAM. The posting of the audited bills in the Revenue Allocation Registers and Work registers should be traced as required under para 280 of the RAM to the extent laid down. Postings in cadre registers for Gazetted Officers and in Scale check registers for non-gazetted staff should be traced in respect of audited pay-sheets.

**6.24 Pay-orders and other vouchers not falling under any other items**

Refer para 288 of RAM.

A list of pay orders and other vouchers should be prepared from the CO 6 Register and selection obtained from this list. In scrutinising these vouchers rules or authority for payment should be looked into in each case. Propriety of expenditure may also have to be examined if nature of expenditure suggests it.

**6.25 Check of journal vouchers including scrutiny of adjustment memo**

Refer Para 278 and 387 of RAM.

A complete list of the journal vouchers should be made out from the register of JVs. i.e. Index Registers maintained in the Books section of the Accounts office and selection obtained to the extent prescribed. The instructions contained in paras 278 and 387 of the RAM should be followed while auditing the journal vouchers.

**6.26 Provisional payments**

Refer 283 of RAM, 844, 866 (a) & 447 Of FI.

During quarterly review of Objectionable Items Register as provided for in Programme of Audit, particular attention should be paid to items of provisional

payments entered in the register. All provisional payments which are pending for over 6 months should be specially scrutinised to see that provisional payments have been made under proper authority and whether adequate action has been taken by the Administration to finalise them. Cases which reveal that provisional payments are either unjustified or their continued payment is likely PDA with a self-contained note for information and further orders, if any, by the sections and divisions concerned.

**6.27 Registers of (a) Miscellaneous advances including House Building and Motor Car/Cycle Advance (b) Deposit Miscellaneous**

Refer Paras 320, 381-382 of RAM, 1217 & 1218 AI.

These registers should be reviewed annually, with reference to provisions contained in the Indian Railway Code for Accounts Department. It should be seen that balances have been duly reconciled monthly with those in General Books. Cases of failure to write back from suspense to service heads in the accounts of the year will constitute 'other mistakes' which may have to be included in annexure J to Appropriation Accounts of that year; such cases noticed during the review should therefore be noted for inclusion in the Annexure.

**6.28 Register of irregularities, losses and overpayments waived and Objectionable Items Register maintained in Accounts Office**

Refer paras 283 and 475 to 478 of RAM.

These registers, maintained in Accounts Office should be reviewed quarterly, with reference to provisions of Indian Railway Code for the Accounts Department. In the case of important items noted therein, papers of Accounts Office should be perused to see whether the subject is fit for mention in Railway Audit Report; whether action taken by railway administration wherever necessary, has been adequate; and whether safeguards exist to prevent recurrence of the irregularity etc.

**6.29 Register of sanctions having limited currency**

Refer Para 132 of RAM

The register should be reviewed annually to see whether in respect of items entered therein any expenditure has been incurred beyond the date of the currency of the sanctions. Where sanctions having limited currency are scrutinised in audit it should be seen whether they have been duly noted down in this register to ensure that the postings in the register are complete.

**6.30 Review of working of the Accounts Department**

**6.30.1** Refer Para 56 MOI & 135 of RAM.

Review of working of Accounts Department should be conducted yearly with reference to instructions given in para 135 of RAM. Items to be reviewed are given in the Annexure to Chapter V of secret memorandum.

**6.30.2** At the commencement of the year, section concerned will note down the list of items to be reviewed in the register. Branch Officer concerned will examine this list to see that it not only covers all items to be seen in the review of Accounts Office but also that all sub-sections of the accounts office are brought within its scope.

**6.30.3** List of items should be compiled with reference to Accounts Office Manual wherever necessary. These manuals may be requisitioned from the Administration who should examine demands and meet the requirements as early as possible. POOs issued by the Accounts Office should also be taken into accounts while compiling the list. During the course of the review, items which reflect on the efficiency of internal check of the Accounts Office should particularly be noted for a possible mention in the report on the 'Efficiency of internal check in the Accounts Department'. Results of review should be submitted to PDA.

**6.30.4** Reports of inspection organisation of Railway Board's office should also be reviewed.

**6.31 Reconciliation between Register of Bills received and Abstract of Bills passed for payment (Known as CO 6 and CO7)**

1. The practice in this office is to select vouchers for audit through the Register of Bills received (A-1104) without reference to the bills actually passed for payment (A-1107). If a bill is paid and included in the Abstract of bills passed (A-1107) without being recorded in the Register of Bills received. the bill in question would automatically escape selection for Audit, if such; selection is made solely with reference to the Register of Bills received. As a safeguard against such a contingency i.e. half yearly reconciliation between the two should be undertaken.

2. For this purpose Coordination (HQrs.) Audit section should get any one month in each of the half years ending on 30th September and 31st March selected by the BO and intimates it to other auditing sections. The sections should trace the sectional numbers of A-1107 pertaining to that month in the Register of Bills received (A-1104).

**6.32 Office Manuals & POO of the Accounts office**

Instructions contained in para 120 of RAM should be followed as and when new/revised office manuals or POOs issued by Pr.FA are received in this office.

**6.33 Review of Audit Notes and Inspection Reports**

A review of Part II Audit Notes issued from the section should be made every half year to see whether necessary action has been taken by Accounts Office on all irregularities pointed out through audit notes. Cases where no action has been taken at all or action taken is not adequate should be taken up with Accounts Officer. Similarly, a review of all outstanding Part II Inspection Reports should be made during inspection of the office concerned. Instructions issued by Headquarters office through POOs/circulars should also be kept in view.

**6.34 Dead stock register clothing account, stamp and stationary account of Accounts Offices**

These should be checked by respective auditing sections once a year.

**6.35 Passes and privilege ticket orders issued by the Accounts Offices**

These should be checked by respective auditing sections once a year.

**6.36 Rough Audit Notes**

Rough audit notes that are issued should be entered in a register. After discussions results should be noted in the register. No rough audit note should remain outstanding for over a month. If by any chance it is not possible to discuss the rough audit note within a month, the rough audit note should be closed and the objections issued as audit note Part I or II as the case may be. It should be ensured that proper machinery exists in various sections of the Accounts office for watching further action necessary on objections, disposal of which is left to Railway Administration.

**6.37 Local Inspections**

The AAuO of local inspection parties should issue preliminary slips (without waiting for Inspecting Officer to arrive) in all cases of objections and irregularities excepting when they themselves feel it necessary to consult Inspecting Officer. Preliminary slips are not formal objections but are intended for eliciting information or the views of the head of the office after considering which, objection, if any, is to be raised. Replies to preliminary slips should be obtained within three or four days of issue as far as possible. All objections should be discussed with the Division/District officer and settled on the spot to the extent possible before close of inspection. Items which cannot be settled on the spot should be included in either Part I or II of the Inspection Report.

**6.38 Issue of draft Pt I Inspection Report/Spl letter**

Daft part I inspection report or special letter should be submitted to PDA within a fortnight of the completion of the inspection so as to issue the report within a

prescribed period of one month from the date of completion of the inspection. Special letters and Inspection Reports may be issued after obtaining approval of PDA in all cases.

**6.39.1** Specific report proposed on the basis of individual irregularities on monetary value should normally not be less than Rs. 2 crore .Issues of systematic deficiencies, cases of suspected frauds/corruption are to be covered under Part I IR and specific report. The money value cases issued through Part I – Inspection Reports / Audit Note should normally not be less than Rs 2 lacs. All recoveries in excess of Rs 10 lacs of staff and Rs 2 lacs on non-staff will go to Part I.

(Authority Poo No. 10 dt 27/08/2015)

**6.39.2** In respect of objections raised initially at Divisional Unit Level but taken up by Headquarters office centrally with the FA&CAO/HOD concerned later the objections should not be closed by the divisional/branch Audit Offices on receipt of reply from the Administration without the approval of the DD/PDA.

**6.39.3** DAI (Rlys) has agreed to the suggestion of Financial Commissioner of Railways that where audit objections have been accepted by Railway Administration and action is initiated by them, Audit should remove the items from the list of outstanding objections subject to Audit having the right to comment.

**6.40 Issue of Pt I TA Note**

The special letter will be closed after the approval of the Principal Director of Audit. The Part I Inspection Report/ Audit Note will be closed after the approval of the Group officer.

(Authority Poo No. 10 dt 27/08/2015)

## CHAPTER 7

### ESTABLISHMENT AUDIT SECTION

#### 7.1 **General**

The Establishment, Provident Fund and Pension Audit Section is responsible for the Audit of all charges relating to the Railway Establishment both Gazetted and Non-Gazetted of the Headquarters offices falling within the purview of the internal check of the Central Establishment Section of the Pr. Financial Adviser Offices and other unit Accounts Offices. The section at Headquarters is also responsible for the coordination of the work of the Establishment Audit in the Divisional and Branch Audit Offices.

#### 7.2 **Duties**

The duties of the Establishment and Provident Fund Audit Section can be broadly classified as under:

##### **I. Establishment and PF & Pension Audit Section at Headquarters:**

(i) Audit of Pay and TA bills and other personal claims of all Gazetted Officers coming within the purview of the internal check of the Establishment section of the Pr. FA's office at Prayagraj

(ii) Audit of Pay, TA and other personal claims of Accounts Office staff of Pr. FA's Office at Prayagraj. Those relating to the Non-gazetted staff of other departments will be checked by Inspection/Headquarters section during local audit (Inspection).

(iii) Audit of Provident Fund accounts of Gazetted and Non-Gazetted establishment coming within the purview of the internal check of the Establishment Section of the Pr. FA's Office at Prayagraj is done annually as a local inspection after closure of P.F ledgers during October/November every year.

(iv) Audit of pension cases of all Gazetted Officers on this Railway and subordinate staff attached to Headquarters offices.

(v) Circulation of all circular, policy, gazette notification received from Ministry of Railways, GM, C&AG office and Ministry of Finance, GOI.

##### **II. Establishment and PF Audit sections in Divisional and Branch Audit Offices.**

(i) Audit of Pay, TA Bills and other personal claims of Gazetted Officers attached to Divisions/Branches (both Accounts and other than Accounts Department).

(ii) Audit of Pay, TA and other personal claims of all sub-ordinate staff of Accounts Department including MTS under the control of Branch/Unit offices. Those relating to the Non-gazetted staff of other departments will be checked by Inspection section of the respective units during local audit (Inspection).

(iii) Check of Provident Fund Accounts and payments therefrom relating to staff coming under the internal check control of Accounts Office of the Division/Branch is done annually as a local inspection after closure of P.F ledgers during October/November every year.

(iv) Check of Pension cases of staff coming under the internal check control of Accounts Office of the Division/Branch (Accounts as well as other than Accounts department).

7.3 The instructions contained in this chapter will generally be applicable to the audit of Establishment charges conducted by the Divisional and Branch Audit units. Copies of all relevant orders received from time to time should be furnished to other audit units wherever necessary and there should be close coordination between the various audit units in raising audit objections of a general nature.

7.4 Instructions for the audit of the Establishment charges are contained in Chapters 2,

3, 6 and 11 of CAG's MSO(Audit) and Chapter XV of the RAM. The relevant rules on the subject viz. payment of various Establishment charges are contained in the R-I, R-II, F-I, Chapters, IV-VI of the A-I, an Introduction to Indian Railway Administration & Finance, Indian Railway Establishment Manual and Manual of Railway Pension Rules. Special Procedure Orders issued by competent authorities for individual railways should be borne in mind during the audit of Establishment charges.

**7.5** Orders on financial and staff matters issued by the Finance and Home Affairs Ministries of the Government of India will be received in the Administration Section of the Office either direct or through the CAG. Where these orders are applicable to the Railway Department also, copies of such letters will be endorsed to the Railway Ministry (RB) who will communicate them or issue orders under their authority to the Railway Administration. The Administration section of this office should generally bring such orders, wherever, necessary to the notice of Establishment Audit section and other audit units conducting establishment audit to enable these units to watch whether the orders have been applied to the Railway Administration. Copies of important orders on Establishment matters which will have to be borne in mind during local inspections of the Departmental offices should be furnished to the Inspection Sections of the several audit units.

**7.6 Audit of Sanctions**

Refer Paras 2.2.34 to 2.2.45 of MSO (Audit) II edn.2002 Paras 69, 132, 133 & 202 of the RAM (V Edn.), Paras 804 to 809 A.I.-1984 Edition.

(a) The sanctions dealt with in the Establishment section generally relate to :

- (1) Creation, extension to currency or abolition of posts.
- (2) Fixation of pay of Railway staff.
- (3) Honoraria & Fees granted to Railway employees.
- (4) Rewards to Railway employees.
- (5) Retention of quarters.
- (6) Advances to Railway employees
- (7) Withholding of special contribution to PF.
- (8) Write off of overpayments made to Railway staff.
- (9) Ex-gratia payments made to Railway staff.

In respect of the above categories, sanctions relating to Railway employees accorded by the RB/President and the GM/Authorities subordinate to him are to be scrutinised by Audit. As per the revised Audit Norms sanctions on Establishment matters are to be audited to the extent of 25%.

**(b) RB/President's Sanctions:**

(i) Sanctions of a general nature having financial effect accorded by the RB/President are received directly from the Ministry of Railways. These sanctions are scrutinised by the CAG's office and no formal acceptance in audit of the same is communicated. Though the CAG's office is primarily responsible for the audit of such sanctions with reference to the President's/RB's files, codal provisions etc., the PDA should not refrain from conducting the scrutiny of such sanctions just merely because the primary responsibility of the scrutiny in audit rests with the CAG's office. Any objectionable features noticed during the scrutiny by the PDA in addition to those indicated by the CAG's office should be referred to them for taking up the matter with the RB.

(CAG's confidential letter No.316-RAII/17-3/79 dated 30.5.80)

(ii) Likewise sanctions having financial effect accorded by the RB/President received directly from the RB/President received directly from the RB pertaining solely to the North Central Railway and concerning more than one audit will also be scrutinised by the Headquarters Establishment Audit section with reference to

the papers relating to the consolidated proposals emanating from the GM. Sanctions pertaining solely to the Divisional and Branch Offices based on the proposals emanating from the Divisions/Units with the concurrence of the Divisional Accounts Officer/unit Accounts Officers are to be dealt with by the respective audit units.

**(c) GM's Sanctions :**

Sanctions to the creation/extension of posts accorded by the GM from time to time pertaining to Headquarters Offices and or to more than one division should be audited in the Headquarters office and acceptance in audit communicated to the respective audit units. Sanctions pertaining to catering Department, Railway Protection Force are also to be scrutinised by the Headquarters Establishment section.

(d) All sanctions pertaining to one unit alone accorded by the GM/ DRMs etc. should be scrutinised by the respective audit units to which they relate.

(e) (i) All sanctions should be fully audited with reference to the canons of financial propriety, the schedule of Powers and the scales of pay sanctioned by the RB from time to time.

(ii) All the sanctions for the creation or abolition of posts and those for conversion of temporary posts into permanent ones should, after acceptance in Audit be traced in scale check/cadre registers maintained by the Accounts Office.

**7.7**

**Pay Bills**

Refer Para 210 to 218 & 221 of the RAM - Chapters VIII of FI, Chapter VI of IREM - Chapters XII to XIV of A I – (1984 Edition) Paras 3.2.9, 3.2.10, 3.3.10 to 3.3.13 of MSO (Audit).

The extent of check is 2 ½ % and pay bill units should be divided into suitable units separately for GOs (Accounts & Other than Accounts) and NGOs (Accounts) to ensure that the entire field is covered in a cycle of 40 months. It should be ensured that the units are divided in such a way that the no. of staff in the pay bill units grouped is more or less same. If the units could not be divided into 40, the same may be divided into lesser number and the audit of a particular unit selected may be completed in 2 or 3 months. For example, if the units could be divided only in 20, audit of one unit may be completed in 2 months. The addition of a new pay bill unit or deletion of an existing pay bill unit should be ensured periodically and suitably incorporated to ensure that the new units are also covered in the cycle of 40 months.

The Audit of pay bills of GOs and NGOs will be carried out on the lines indicated in para 210 of the RAM. In addition to the points to be seen during the audit of vouchers in general (vide para 269 of RAM) the check of pay bills will include the scrutiny of the following to the extent occurring in or relating to the selected pay bills.

- i.** Increments.
- ii.** Fixation of Pay on first appointment & re-fixation of pay,
- iii.** Officiating appointments.
- iv.** Arrears of pay.
- v.** Leave salary.
- vi.** Subsistence Allowance.
- vii.** Dearness, House Rent Allowance etc.
- viii.** Provident Fund Recoveries/NPS Recoveries.
- ix.** Rent, Water conservancy etc. charges.
- x.** Electrical energy charges.
- xi.** Diet charges, statement.
- xii.** Other recoveries.

- xiii. Recovery of Advances.
- xiv. Scale/cadre check.
- xv. Allocation.

**Increments (Para 211 of RAM):**

7.7.1 During the check of Pay bills of the Accounts Department, the increments drawn in the pay bills selected for audit should be checked with reference to the service records as the same will be available for scrutiny at Headquarters. In other cases, it should be checked during local inspections.

**Fixation of pay on first appointment and re-fixation of pay :**

7.7.2 In regard to appointments it should be seen that the provisions contained in para 1207 A.I. are observed. As regards re-fixation of pay other than that due to general revision of pay, all cases in the pay bills selected for audit will be scrutinised with reference to the rules regarding fixation of pay issued by the RB from time to time. In regard to general revision of scale of pay, orders of the PDA will be obtained in regard to the extent of check.

**Officiating appointments (Para 212 of RAM.)**

It should be seen that officiating appointments for short term vacancies are for a period of not less than 21 days duration and as per instructions issued by the RB from time to time. As regards officiating appointments of running staff it should be seen that they are governed by the rules issued from time to time.

7.7.3 **Arrears of Pay :**

While auditing the arrears of pay, the provisions contained in Indian Railway Administration & Finance Code should be borne in mind. As regards Gazetted Officers, the entries in the Salary Register in regard to the payment of arrear claims should be traced to avoid double payment. As for N.G.Os, it should be seen that a note of the arrears has been made in the original vouchers.

7.7.4 **Leave Salary:**

The correctness of the leave salary drawn should be verified.

**Subsistence Allowance:**

The subsistence allowance claimed in the pay bills selected for audit will be checked. It should be seen that the subsistence allowance claimed is in accordance with Para 2043-IREM. The subsistence allowances vouchers should be indicated separately and the current review to the required percentage applied.

7.7.5 **Additions to Pay-Dearness Allowances, House Rent and other Compensatory Allowance**

Refer Para 213 of RAM.

It should be seen in audit that all the allowances such as Dearness Allowance, House Rent Allowance, overtime Allowances, Running Allowance, Night Duty Allowance, are drawn correctly in the pay bills selected for audit keeping the following points in mind :

- 7.7.6 (i) The employee is actually eligible for such an allowance.
- (ii) The rates at which the allowances are drawn are those sanctioned by the RB from time to time.
- (iii) The conditions prescribed for the grant of these allowances have not been infringed.

In the case of Overtime Allowance and Running Allowance the check exercised in the pay bills selected for audit covers mainly the arithmetical accuracy of the calculations. The detailed check of the correctness of the amount earned with reference to the initial documents is to be carried out to the extent of a month's accounts during local inspections. The instructions contained in the Over Time and Running Allowance rules issued by the Railway Administration should be borne in mind while checking such bills.



**Provident Fund Recoveries:**

It should be seen that recovery towards compulsory portion at 8½% has been correctly made and the recovery including the voluntary contribution does not exceed one month's emoluments. The Provident Fund deductions shown in the pay bills should be traced into the Provident Fund deduction sheets accompanying the pay bills.

**House Rent, water and Conservancy charges:**

Refer Para 221 of RAM.

7.7.7 (a) Rent Rolls accompanying the pay bills for April pertaining to the unit selected should be completely checked. In respect of pay bills of other months, variation statements relating to the unit selected for audit should be linked with the Rent rolls of April and also with the variation statements of previous months if necessary. The correctness of water and conservancy charges recovered should be checked with reference to the types of quarters and the rates fixed by the Railway Administration.

7.7.8 (b) In addition, comparison of the Residential Buildings shown in the Register of Buildings with those included in the Rent rolls for the month of April shall also be conducted every year by the unit AuOs in respect of quarters coming under their control, so as to see whether rentable buildings are correctly included in the rent rolls. For this purpose the comparison may be limited to 10% of the total number of residential buildings shown in the Register of buildings. The work relating to the comparison should be completed before 20<sup>th</sup> September every year.

**Changes in Audit procedure as a result of computerisation of Pay bills**

Refer Para 203 of RAM.

Consequent upon computerization of pay bills, some marginal changes in audit procedure have become necessary for which orders have been issued by the CAG from time to time. While checking the computerised pay bills the instructions contained in CAG's letters Nos. i) 2038-161-RAI/8-7/71-II dt. 22.6.71 ii). 571-RAI/8-7/71-II dt.17.2.72 iii). 1192-RAI/8-7/71-II dt.10.5.74 should be borne in mind.

**Electrical Energy Charges :**

It should be seen that in respect of staff occupying electrified quarters, where direct billing system has not been introduced, recoveries are effected in the pay bills at the rate fixed by the Railway Administration

**Diet Charges Statements:**

7.7.9 In respect of the items covered by the pay bills selected for audit, it should be seen that recoveries have been correctly and promptly effected as per the statements sent by the Medical Officer and that there are no outstanding. The correctness of recovery of Diet charges wherever due should be checked during the local inspections of Medical department.

**Other Recoveries:**

7.7.10 In regard to miscellaneous recoveries made, such as school, fee, Railway Institute fee, Court attachments etc. it should be seen that the amount actually recovered in the pay bill agrees with the amount shown in the deduction sheet. In regard to school fee, it should also be seen that the rate of fees is correctly based on the orders issued by the Railway Administration from time to time.

**Recovery of Advances:**

7.7.11 (a) It should be seen that recoveries of advances of pay, leave salary, festival, conveyance, house building etc. are effected promptly in the pay bills as per extant orders issued from time to time. The entries in the statements of recoveries should be checked with reference to the actual recoveries in the pay bills.

(b) The advance of pay granted to a Railway servant under orders of transfer should be recovered in 3 monthly installments. No advance of pay should be sanctioned in respect of mutual transfers.

(c) The Register of Travelling Allowance advances and the Register of leave salary advance maintained in the Accounts Office should be reviewed along with the pay bill.

**7.7.12 Scale or Cadre Check: (Refer Para 223 of RAM)**

(i) While auditing the pay bills, the posts actually operated should be traced into the scale or cadre check Register and any excess operation of posts without proper sanction should be traced into the Objection Book.

(ii) The scale check registers should be reviewed monthly dividing the entire field into 12 units. Similar procedure will apply to cadre registers also in respect of Gazetted Audit. While exercising the check under this item, it is not necessary to trace the postings in these registers from the scale check statements.

**7.7.13**

**Allocation etc.**

(a) The correctness of allocation should be checked. The salary bills of Accounts Office when selected for Audit should be audited with reference to the Attendance Registers. The memorandum of differences and absentee statements should be checked with attendance registers, office orders etc. wherever available. The unpaid amounts in the bills selected for audit should be traced into the unpaid wages statements.

(b) The bills on account of (i) payment of cash equivalent of leave salary to family of a Government servant who dies in harness and (ii) cash payment in lieu of unutilized leave on average pay on the date of retirement should be checked to the same extent as supplementary pay bills in respect of unit selected for monthly audit of pay bills of officers and staff.

**7.7.14**

**7.7.15**

**7.8 Labour Pay Sheets**

The check of Labour Pay Sheets in central audit has been discontinued and this should be checked during the local inspections. Posting of 50% of Labour Pay sheets so checked should be traced in the works & Revenue Allocation Registers.

**7.9 Travelling Allowance Bills**

All the TA claims included in the pay bills selected for audit during the month are to be audited completely with reference to the relevant TA journals. In cases where TA Bills have been passed for payment separately instead of the same being included in the pay bills, such TA bills pertaining to the unit selected for pay bills audit should also be checked.

**Note :**

(i) Transfer Travelling Allowance :

The Transfer Allowance bills of officers/staff are to be covered in audit under the category of Travelling Allowance bills.

(ii) Arrear bills of Gazetted Officers:

Normally there will not be any arrear TA bill. In cases where arrear bills are claimed, these items should be covered by proper sanctions of the competent authority. In such cases these bills pertaining to sanctions should be called for specially and audited by the section.

(iii) Bills of Non-Railway officials:

Generally, the Railway Administration passes bills of Members of Parliament, Members of State Legislature etc. in connection with the journeys performed for participating in Regional Committees. These items should be included in the category of "Miscellaneous Vouchers" and one or two items selected for audit

wherever such bills are included in the Co.7 by the Accounts Office.

**Points to be seen during audit of TA Bills:**

The audit of TA bills will be conducted as laid down in Para 222 of the RAM and with reference to the provisions of the TA rules of the Railway Administration and the canons of Financial Propriety.

(1) The rate of pay indicated in the TA Journals of the employees concerned should be checked with the pay bills. It should be seen that the executive or the controlling officers countersign all the TA journals invariably.

(2) Taxi Hire: It should be seen whether Taxi Hire charges claimed in the TA bills are in accordance with codal provisions/other orders in force.

(3) In respect of journeys by air, it should be seen that the sanction of the competent authority has been obtained for the journey.

It should be seen that a certificate in connection with each TA bill stating whether the officer was allowed for transit by Railway or by sea or river steamer whether on a Free Pass or otherwise or he performed a journey by road whether he was provided with the means of transportation at the expense of the Government/ local fund is invariably attached to the Travelling Allowance bill.

**7.10 Pay Orders for payments of unpaid wages**

Refer Para 386 of RAM.

The payments should be linked with the entries in the concerned unpaid wages statements.

**7.11 Workmen's Compensation Act Payments**

Refer Para 232 of RAM - 1201 A.I and Chapters XXIII of the Indian Railway Establishment Manual.

The audit is to be exercised with reference to the provisions of the Workmen's Compensation Act, Railway Administration's files containing the original accident report, medical report and enquiry committee's reports if any, it should be seen inter alia that :

(i) the person concerned belongs to the category of staff eligible for compensation under the Act.

(ii) the fact of the injury and the nature of the injury have been properly certified and the injury has not been due to his own negligence.

(iii) in the case of temporary disablement the monthly wages for assessing the compensation, the amount of half monthly payment and lumpsum compensation have been worked out correctly in accordance with the schedule given in the Act.

(iv) in the case of permanent disablement not resulting in death, the percentage of loss of earning capacity has been correctly assessed with reference to the schedule given in the Act and the amount of compensation has been worked out correctly.

(v) the interim payments made under the Act have been adjusted against final payments. The amount should be debited direct to the final head in the accounts of the month in which the payment are made vide Note to paragraph 1021-A.I.

(vi) It should be ensured that two compensation one under WC Act and another under Railways Act are not paid (i.e.) in cases of Railway accidents in respect of Railway men working on the train they should be paid compensation either under WC Act or under the Railways Act. The correctness of the wages shown in the statement of average wages will have to be looked into during inspections.

Note: The check of arithmetical accuracy of the statement of average wages will ordinarily be sufficient. In cases where lump sum compensation under the Act is paid the wages shown in the 'Statement of Average Wage' should be verified with the payments.

**7.12 Advance of Pay, Travelling Allowances and other interest bearing advances**

Refer Para 220 of RAM.

The audit is to be exercised to see mainly that advances have been sanctioned in accordance with the rules by the authorities competent to do so that the payments have been duly posted in the Advance Register to ensure that recoveries of the amounts from the employees in question are promptly and correctly made. In respect of Travelling Allowance advances, drawn in the month of March, it should be verified whether they have been adjusted on completion of journeys or by the 30<sup>th</sup> April whichever is earlier.

**7.13 Festival Advance Bills**

It should be seen that the advance has been drawn by the employee before the date of Festival and not later than that date and that the advance is paid to any non-gazetted employee in receipt of grade pay not exceeding Rs.4800/-. It should also be seen that payments had been made only to the persons covered in the sanction.(Abolished)

**7.14 Medical Attendance Bills**

Refer Para 230 of RAM.

The Medical Attendance Bills of Gazetted Officers are to be checked to the extent prescribed, along with the pay bills. It should be seen that the officer was duly authorised to undergo treatment under the Government Hospital in question and that the bills have been countersigned by the Chief Medical Officer. In checking the bills the following points should also be borne in mind.

(i) that the claim for reimbursement of charges is supported by vouchers and certificate by Authorised Medical Attendant.

(ii) that the reimbursement is admissible under the rules.

(iii) that in the case of reimbursement of the cost of medicines a separate certificate of essentiality under the extant orders has been furnished.

**7.15 Children's Educational Allowance and Reimbursement of Tuition Fees bills**

Refer Para 233 of RAM.

Educational Assistance/Reimbursement of Tuition Fee bills in respect of children is admissible to all Railway employees without any pay limit including persons on deputation to State/Central Govt. If both husband and wife are Railway employees/Central Government employees, the assistance will be admissible to one of them only. If the husband or wife is employed outside the Central Government, the assistance is admissible only if that spouse is not entitled to the benefit from his/her employer and a declaration to that effect is furnished by the official. The assistance is admissible only if the children study in a recognized school. It will not be admissible for a child for more than 2 academic years in the same class. The allowance is admissible only in respect of children between the age limits of 5 and 20 years. If a child completes 20 years half-way through the academic session, the allowance is admissible till the end of the academic session. The assistance will be admissible to a Railway servant in respect of not more than three children at any time, i.e. the total number of children in respect of whom the CEA/RTF/Hostel Subsidy is drawn at a time should not exceed three. This limit is restricted to two children only in respect of children born after 31-12-1987. Subject to eligibility; both Reimbursement of Tuition Fees and Hostel Subsidy can be drawn in respect of one and the same child. If Children's Educational Allowance is drawn in respect of any child, Reimbursement of Tuition Fee or payment of Hostel Subsidy will not be admissible in respect of that child.

Educational Assistance to Railway employees for educating their children is admissible in accordance with the rules in Para 2804 of IREM. The payments to

individuals should be checked to see that they are in accordance with the rules in force. From 1-09-2008, under children education allowance scheme reimbursement can be availed for two eldest surviving children only except when the number of children exceeds two due to second child birth resulting in multiple birth. The annual ceiling fixed for the reimbursement of children education allowance is Rs 12,000/- per child.

**7.16 Hostel Subsidy to Railway employees**

As per the extant orders Hostel Subsidy shall be payable to all permanent/temporary Railway servants who have put in not less than one year's service belonging to Group A, B C & D (without any upper pay limit) who on account of their transfer are obliged to keep their children in the hostel of a residential school away from the station at which they are posted and/or residing. The Hostel Subsidy is admissible at a uniform rate of Rs.3000 per month per child subject to a maximum of two children w.e.f. 01.09.2008. This is not admissible in respect of the child for whom Children's Educational allowance is drawn. It will be paid in respect of any student for not more than two academic years in the same class. The hostel subsidy bills are to be audited separately to the extent prescribed.

**7.17 Contingent vouchers (Accounts Dept.)**

Refer Para 227 of RAM.

The selection for audit of contingent vouchers of Accounts department in respect of contingent bills passed by Establishment and P.F. Accounts Sections are to be scrutinised by the Establishment Audit Section. The provisions in the manuals, codes etc. relating to contingent expenditure should be generally borne in mind while auditing these vouchers. It should be seen inter alia that;

(a) only types of expenditure falling under the category of "contingent expenditure" are treated as such,

(b) each class of expenditure,

i. is a proper charge against the grant concerned,

ii. has received such sanction as is necessary,

iii. has been incurred by an officer competent to incur it,

(c) no canon of financial propriety is infringed,

(d) no bills are paid from imprest cash which ordinarily should have been submitted for pre-audit and payment like other bills.

**7.18 Pay orders and other vouchers not falling under any category**

Refer Para 288 of RAM.

The vouchers relating to Accounts Department will be listed from CO7 every month and selections to the extent prescribed for audit obtained. Vouchers which fall under any of the definite categories shown in the Programme of Audit should not be classified as "Miscellaneous" and brought under this category. In scrutinizing such vouchers the rules or authority for payment should be looked into in each case. Propriety of expenditure shall be examined if the nature of the expenditure suggests it. The instructions contained in Para 269 of the RAM in regard to audit of vouchers of payments should also be borne in mind.

**7.19 Leave application of Gazetted Officers and Leave Accounts of subordinates including leave salary certificates**

(Refer Para 228 of RAM) Paras 3.3.3, to 3.3.4 of MSO (Audit).

The check exercised in Establishment Audit Headquarters covers all the Gazetted Officers of Accounts Department of this Railway, Officers of other Departments and staff of Accounts Department of Pr.FA's office whose leave accounts and service records are maintained in the Accounts Office.

**a) Gazetted Staff :**

A list of all Gazetted Officers whose bills are passed by the concerned accounts officers and whose leave accounts are kept in their custody will be maintained by the respective Establishment audit sections. The selections as per percentage fixed is to be obtained for the audit of leave accounts of Gazetted Officers. All the checks applied in the case of Non-Gazetted staff will be exercised in the case of Gazetted officers also.

**(b) Non-Gazetted staff :**

The leave accounts of staff of the Accounts Department which are available in the Accounts office should be subjected to continuous test audit. For this purpose, a complete list of the personnel will be maintained and the checks carried out to the extent prescribed. This list should be kept up-to-date and modifications in the number of items to be checked monthly as and when necessary. The leave accounts selected should be checked completely from the beginning or from the last entry checked to the date of scrutiny. There should be a suitable indication in the Selection Register to show the date upto which the entries in the leave account have been checked. In addition to this check, a special check of leave accounts of staff who are due to retire within a year should also be conducted by obtaining such a list from the Accounts Department periodically and the check taken up before the date of retirement of staff concerned.

The leave accounts of staff of other than Accounts Department should be test checked during local inspections of the executive offices concerned to the extent prescribed. A record of leave accounts checked should also be maintained. The leave accounts of staff, who are due to retire before the next inspection should be completely checked during inspections of departmental offices.

**(c) Points to be seen on the check of Leave Accounts:**

The leave accounts will be checked to see whether (i) the same are in accordance with the particulars available in the service records; (ii) the particulars of leave rules by which the employee is governed are maintained in the leave accounts and; (iii) the balance of leave to his credit have been worked out correctly by the Accounts office in certifying leave from time to time from the beginning.

The leave salary certificates in respect of the Gazetted and Non-Gazetted staff who are granted leave out of India and whose leave accounts are checked by the section, will also be post audited (Additional Deputy Comptroller and Auditor General of India ((Railways) U.O.I.No.2728-RA.I 4-9/60 of 31<sup>st</sup> August 1962 to the RB). It is to be seen whether they are correct, with reference to the particulars in the service record and the provisions of the rules

**7.20 Register of Foreign Service Contribution**

Refer Para 225 of RAM. Para 1221 and 1222 A-I.

The registers of Foreign Service Contribution (Gazetted and Non-Gazetted) maintained in the Accounts Office should be reviewed half yearly to see that correct recoveries are being made towards leave salary, pension, PF contributions, gratuity etc. When sanctions or facts relating to transfer of services of employees come to notice during audit, it should be seen whether names and particulars have been duly entered in the register to ensure recovery of contribution. The individual files relating to the Foreign Service of employees should also be reviewed to see whether the recoveries have been correctly made.

**7.21 Recovery of Government share of fee received by Railway servants**

A register is maintained in the establishment section of the accounts office to record particulars of employees authorized to accept fee and of the payments made to them. While auditing the sanctions accorded for acceptance of fee it should be seen that the particulars of sanctions are duly recorded in this register. The register should be reviewed half yearly to see that the fee have been actually credited in

full and also that the Government's share has been worked out correctly before making the payment to the employees.

**7.22 Disallowance lists**

Refer Para 224 of RAM.

The disallowance lists and objections should be reviewed every year to see that proper action is taken to clear out standing items. Cases where the objections have been dropped without adequate grounds should be taken up.

Objection registers are maintained in each sub-section of the Establishment Section of the Accounts Office and one register will be selected for the purpose of this review.

It should be seen whether the objections raised reveal any special features on irregular procedure requiring further investigation in audit, whether there has been generally any inordinate delay in the

disposal of the objections and whether the objections have been regularised satisfactorily.

**7.23 Register of irregularities, losses and over payments waived maintained in the Accounts Office**

Refer Para 477, 492 of the RAM para 861-AI (1984 Edition.).

The registers maintained in the Establishment Sections of the Accounts Office should be reviewed quarterly, in the case of items noted therein, it should be seen that the write off in each case has been sanctioned by the competent authority. The papers of the Accounts Office should be perused to see whether the subject is fit for mention in the Railway Audit Report; whether the action taken by the Railway to obviate the recurrence of the irregularity.

**7.24 Journal vouchers including scrutiny of adjustment memo**

The selection for audit to the extent prescribed will be made from the journal vouchers of the third previous month. The instructions contained in Para 387 of the RAM should be borne in mind in exercising the audit of journal vouchers. In regard to tracing the postings from vouchers into the allocation registers the journal entries to the extent prescribed have to be traced irrespective of the number of supporting vouchers.

**7.25 Miscellaneous Advances including House Building and Motor car Advances and Deposit Miscellaneous**

Refer Para 381 and 382 of the RAM, Para 223 and 225 AI (1984 Edition).

The Registers maintained in the Establishment and PF section will be reviewed. In the case of Deposit Miscellaneous the instructions contained in Para 316 and 614 AI (1984 Edition) are to be borne in mind while reviewing the Register.

**7.26 History of services of officers of the Railway Department**

Refer Para 231 of RAM.

The service cards showing the history of services of officers of the Railway Department maintained in the Accounts Office should be checked biennially, with reference to the documents in the Accounts Office such as personal files, leave accounts etc. Selections to the extent prescribed will be made from the Index Register maintained in the Accounts Office.

**7.27 Appropriation Accounts**

Refer Para 404 of RAM.

The general principles indicated in the Chapter on Appropriation Accounts in the Manual will be borne in mind in checking the accounts and annexure relating to Establishment and Provident Fund Sections. The check should be given top priority on receipt of the accounts and annexure from the Books section and returned to that section, with remarks, if any, approved by the BO.

**7.28 Administrative Report, Office Manuals, POOs and Correction slips thereto issued by the Accounts Offices**

The instructions contained in Para 120 of the RAM and paras 28 to 38 of MSO (Audit) may be referred to for conducting the reviews.

**7.29 Working of Accounts Department**

Refer Para 135 of RAM.

The review will be carried out in the form prescribed in the Secret Memorandum. A report specially bringing out the details collected and defects noticed during the review should be reported to the Co-ordination Section.

**7.30 Audit Notes Part II / Inspection report II**

Refer Para 471 of RAM.

A review will be made once in a half year of the inspection report Pt II/ audit notes part II issued by the section to see whether action has been taken by the Accounts Office currently on those cases. Cases of delay on the part of the Accounts Office in taking suitable action will be brought to the notice of the BO and taken up with the Accounts Office. Ordinarily three months will be allowed to the Accounts Office to send their files containing their disposal to this office for review.

**7.31 Cost of Order Police**

The Railway Administration is required to satisfy itself of the correctness of the debits raised by the state Governments with reference to the statements sent by them in support of the debit schedules. The settlement of the claims effected by the Pr.FA should be scrutinised generally by the Establishment Audit Section as an annual item, to see if the debits are in accordance with the arrangements in force for charging to the Railway the cost of order police and in accordance with the strength of police staff fixed by the Railway by the competent authority.



## CHAPTER 8

### PROVIDENT FUND & PENSION AUDIT

#### 8.1 General

Consequent upon revision of Audit Norms with effect from May, 2003, Audit of PF section is to be done annually during October/November after the PF ledger of the previous year is closed covering:

- Accounts of subscribers to Provident Fund
- Temporary Withdrawals
- Final Withdrawals
- Interest Credits
- Provident Fund ledgers reconciliation with general books
- Payment under Deposit Linked Insurance Scheme.

The checks are to be carried out by selecting one month for detailed check of accounts of PF section ensuring that a minimum of 2 to 3 departments are covered. Credits (subscriptions, refunds and interest) to the extent of 2% of the total number of PF accounts for the selected month should be checked. Similarly debits viz. advances final/part final to the extent of 5% of the total transactions for the selected month should be checked. In addition, 5% of the transactions for one month relating to final payment on account of superannuation should also be checked. A general review of the working of the PF section should also be conducted. The details of debit and credit items checked showing the Departments covered, month for which the transactions were checked, defects noticed on the working of PF section etc. should be kept on record for verification by Internal Test Audit section and Director General of Inspection.

#### 8.2 Pension Audit

Refer Para 249 of RAM.

The pensionary benefits admissible to the Railway servants on their retirement/death/invalidation comprise of the following elements:

1. Pension/ordinary gratuity
2. Death Gratuity/ Retirement Gratuity and
3. Family Pension.

The various rules in this regard are contained in Indian Railway Estt. Code Vol.II (R.II), the Liberalised Pension Rules and the Railway Pension Manual as amended from time to time. The audit of pension cases includes the audit of sanction for pension with reference to the service records etc. Audit of paid vouchers of pension as also audit of grant of commutation of pensions gratuity etc. including terminal gratuity paid to temporary employees on their leaving service.

#### 8.3 Audit of Pension sanctions and payments

The following are the main classes of pensions sanctioned to railway servants.

1. Superannuation pension.
2. Retiring pension.
3. Invalid pension.
4. Family pension.
5. Ex-gratia pension.
6. Pension on absorption in or under a corporation, company or body owned or controlled or financed by the Government
7. Compensation pension

## 8. Compulsory retirement pension

For the purpose of audit of pension cases, the cases certified by the Accounts Office in the fourth previous month are to be listed from the Pension Certification register maintained in the Accounts Office and selections to the prescribed extent obtained for audit separately for Gazetted Officers, Staff of Accounts and for other staff. Cases where sanctions have been accorded for the provisional (anticipatory) payment of pension, pending final certification of the amount, are also to be included for the above selection. As regards paid vouchers of pension, particulars of payments for which debits were raised by the various agencies, viz. Public Sector Banks, Post Offices and treasuries and adjusted in the Accounts are to be extracted on the basis of particulars available in the journal entries and selections to the prescribed extent obtained once in a quarter, for each type of payment separately. Regarding audit of paid vouchers of DCRG and commuted pension payments, selections to the extent prescribed are to be obtained after extracting the same from CO.6 once in a quarter.

Points to be borne in mind in the audit of -

(a) **Pension Cases:** In checking the documents and vouchers it should be seen that the instructions contained in the Pension Manual, RAM and Establishment codes and in the Railway Board's letters issued from time to time for the verification of service are correctly followed. It should be specially seen that the Railway servant for whom pensionary benefits have been sanctioned has elected to be governed by the relevant rules and that the conditions regarding the regularization of periods with reference to the date of superannuation have been duly observed.

(b) The important items in the audit of pension cases relate to the check of the correctness of the (1) qualifying service, (2) correctness of the pension certified and (3) competency of sanction. In checking the final sanction for pension payments it should be seen that the overpayments, if any, due to the grant of provisional payments of pension are adjusted.

(c) Verification of pensionable service of employees should be done during local inspection in regard to the first year of permanent qualifying service and all period of previous qualifying service and one intermediate year selected at random.

(d) It should be seen that the service books contain the consolidated certificate and annual certificate of verification as contemplated in the rules and also evidence of scrutiny by the Accounts staff. In addition, detailed checks to the extent prescribed should be conducted with reference to paid pay bills or office copies thereof and other available establishment records such as office orders etc. Care should be taken to check the services of the staff, who are due to retire within the next 3 years. The last year of qualifying service should be checked at the time of auditing pension cases at Headquarters. Since no formal inspection of the Accounts office is conducted the checks required to be exercised at the time of local inspection should be conducted monthly at Headquarters offices at the percentage prescribed for the purpose. The selections for this should include employees who are likely to retire within the next 3 years.

Note: No certificate regarding the verification of pensionable service by audit need be incorporated in the service records of the Railway employees. (CAG's letter NO.1576-RAI/4-66/59 dt. 6-5-62)

### 8.4 **Commutation of Pension**

In checking the commutation of pension it should be seen that the rules regarding the maximum amount that can be commuted and the minimum pension etc. are duly observed and that the values are taken as per the correct commutation table. In regard to the temporary increase allowed on the pension after commutation, it should be seen that the same is based on the gross value of the pension (i.e.

including the value of the commuted pension).

**8.5 Ex-gratia pension**

The audit of ex-gratia pension payments should be conducted quarterly to the extent prescribed. In addition to the regular check, random check should also be done quarterly to the extent prescribed. Besides above, a separate group of pensioners i.e. other than those selected for regular/random check should be selected quarterly for the purpose of tracing into the disbursers' half of the pension payment order. All payments to them (including arrear payments, if any) during three consecutive months should be traced into the disburser's halves.

**8.6 Pension paid vouchers**

(a) After computerization of pension masters each division has replaced the pension audit register maintained in the Accounts office. Pensioners have been allotted PPO numbers according to the Division/unit to which they belong. The master contains all the details of the pensioners including date of birth, date of joining etc. including name of second beneficiary. The pension paid vouchers selected for Audit should be traced simultaneously with the entries in the respective masters. It should be seen that the amount of pension, date of birth etc. as shown in the Accounts office authorization to the respective civil Accountant Generals, Public sector banks and Director of Post offices and other particulars available in the pension file are correctly entered in the relevant column of the pension masters.

b) During the audit of paid vouchers of pension besides testing formal accuracy of the vouchers, should be directed to see that the amount of pension paid is not greater than the amount sanctioned and authorised for payment and that the prescribed certificates regarding non-employment, marriage etc. are furnished in the evidence of the continued title to pension and the voucher is duly supported by Life Certificate, if the pensioner does not appear in person to receive payment.

**8.7 Gratuity**

A Railway servant who has rendered less than 10 years of qualifying service and who is allowed to demit service, is eligible for payment of ordinary gratuity only. It should be seen that all the qualifying conditions as laid down in the rules are satisfied.

**8.8 Death-Cum-Retirement-Gratuity**

The conditions under which the above gratuity is granted to the railway servants and the scale of the gratuity admissible are laid down in Chapter VII of the Manual of Railway Pension rules as amended from time to time and the Railway Board's orders on the subject.

**8.9 Family Pension**

The rules governing the grant of family pension are contained in Chapter VII of the Manual of the Railway Pension Rules 1950 and other orders issued by the Railway Board on the subject. The various methods of checks prescribed for verification of pension, sanctions and payments apply to family pension and payments on that account.

**8.10 Audit of Productivity Linked Bonus and Ad-hoc bonus Bills**

The Productivity Linked Bonus scheme was introduced in Railway Board's letter No.E (P&A)II/79/PLB/1 dated 6.12.79 and payments are to be made to the Railway employees as per the orders mentioned therein. The Productivity Linked Bonus Bills are to be checked to the extent prescribed in CAG's secret letter No.898-RAII/4-25/79 dated 26.9.81. The Ad-hoc Bonus payable for the Staff not covered under PLB should also be included for selection. For the purpose of selection the bonus bills in respect of a financial year may be grouped together for all months and selections obtained only for Non-Gazetted Officers in April of the

following year to the extent prescribed, covering more than one department to the extent possible as this is an annual item of Audit. A record of the Departments covered in Audit may also be kept so that in a cycle of a few years, all departments are covered, in case only one voucher comes up for audit each year. It should also be checked in particular whether the individual employees to whom payments are made are eligible for the same and whether the computation adopted for determining their wages per day is in order.

**8.11 Audit of Transactions relating to the Railway Employees Insurance Scheme**

The Railway Board in their letter No.PC.III/76/INS dated 29.7.77 detailed the procedure for the introduction of the Railway employees Insurance Scheme. The monthly contribution recovered from the employees towards Insurance Scheme is to be checked in the same way as other items of recoveries like SRPF, rent etc. are checked during the audit of pay bills. The audit of vouchers relating to payments on retirement/death under the Insurance Scheme should be audited to the extent prescribed separately for Accounts and other than Accounts departments as per CAG's letter No.802-62-RAI-8-3-77 dated 25.8.80. The audit of transactions relating to Railway Employees Group Insurance Scheme 1980 introduced in Railway Board's letter No.PC/III/80/GIS of 4.1.82 and 30.5.82 is to be exercised at the same percentage applicable to Railway Employees Insurance Scheme prescribed in CAG's letter dated 25.8.80.

## CHAPTER 9

### EXPENDITURE (WORKS) AUDIT

#### 9.1 General

This Section deals with the scrutiny, generally of all expenditure incurred by the Railways, other than those audited in the Establishment, Workshop, Stores and Traffic Audit Sections. The audit is conducted in accordance with the general instructions given in Chapter XVI of RAM which supplements the appropriate provisions of MSO (Audit). The pattern of work in the Expenditure Audit sections in the Headquarters, Divisional and other Branch Audit Offices generally follows the nature of work done in the corresponding internal checking sections of the Pr. FA's office and the subordinate Accounts Offices. The expenditure Audit comprises audit of sanctions, estimates, tenders and contracts, execution of works, completion reports and other miscellaneous items important among which are audit of law charges, Accounts of assisted sidings, Accounts Bills for rent on telephones and telegraph wires, payment to local bodies, etc. fuel accounts, capital and Revenue Accounts of residential buildings, contingent vouchers and review of various registers maintained by the Accounts Offices in connection with the different accounts mentioned above.

#### 9.2. Audit of Sanctions

Refer Paras 132, 133 and 250 of RAM.

(a) Sanctions are issued on behalf of the President of India by the Railway Board, General Manager, Additional General Managers and their subordinates. As per the revised Audit Norms, sanctions on other than Establishment matters are to be audited cent per cent as under:

S.No.	Monetary limit	To be checked by
1.	Up to Rs.50 lakhs	Ar./Sr.Ar
2.	Above Rs.50 lakhs and up to Rs.1 crore	AAuO
3.	Above Rs.1 crore	BO

(b) The extent to which each authority mentioned in the above para can incur expenditure is contained in the relevant codes and Delegation of powers issued by the General Manager, NCR from time to time.

(c) Sanctions pertaining to more than one Railway will be received from the DAI (Railways). Copies of these sanctions will be endorsed to the BOs concerned for information and guidance. Sanctions relating to more than one accounting unit of the North Central Railway will be scrutinised by the Headquarters Expenditure Section, whereas sanctions pertaining solely to individual accounting units will be audited by the respective AuOs of the units. Even in respect of sanctions pertaining to more than one Railway issued by the Railway Board, the concerned Principal Directors of Audit have to scrutinise them and bring any special feature to the notice of the DAI (Railways).

(d) General review to ensure that all sanctions are received in Audit office should also be audited by A.AuO annually.

#### 9.3 Audit of Estimates

**See Para 251 to 253 of RAM, Chapter VII-E**

No separate check is necessary but while auditing contracts, estimates should be reviewed to see that all the contracts are in conformity with the estimates and also how the estimates have been framed keeping in view the various specifications, drawings etc.

#### 9.4 (A):- Tenders and Contracts

- (a) Works executed on the Railways through the agency of contractors generally fall under any one of the following categories:
- (i) Zonal works: Such as ordinary repairs and maintenance and other petty works in a particular zone or area;
  - (ii) Special works: Such as construction of bridge the formation of an embankment etc;
  - (iii) Supply of building materials: Such as bricks, tiles, lime stones, bamboos, ballies, mattings, doors, windows, ballast, boulders, moorum, stone chips, fire bricks, shingle, pitching stone etc. which are not usually stocked or purchased by the Stores Department.

The monetary limits for classifying limited tenders and contracts and the extent of audit to be exercised against each have been indicated in the Secret Memo of Instructions.

- (b) For obtaining competitive rates, in respect of works to be executed through the agency of the contractors, the Railways adopt a system of calling for tenders according to the monetary value of the work. Notice for inviting tenders shall be in the form prescribed by the Railway Administration and shall embody the stipulations contained in para 1238-E. Tender forms shall embody the contents of the contract documents either directly or by reference. The tender notice should specify the last date of receipt of tender, date of opening the same etc. In particular, the tenderers should be asked to specify the period of validity of their offers. The terms and conditions specified in the tender notice should invariably figure in the contract condition without any change. The tenderers should deposit with the Railway Administration earnest money as stipulated in Para 1241-E.

**(B):- Earnest money deposit, Security Deposit and Performance Guarantee.**

As per General Condition of Contract, the earnest money, security deposit and performance guarantee are to be regulated as under:-

- (a) The tenderer shall be required to deposit earnest money with the tender for the due performance with the stipulation to keep the offer open till such date as specified in the tender, under the conditions of tender. The earnest money shall be as under:

Value of The Work Earnest Money Deposit (EMD)

- A. For works estimated to cost up to Rs.1 crore 2% of the estimated cost of the work.
- B. For works estimated to cost more than Rs.1 crore: Rs.2 lakh plus ½% (half percent) of the excess of the estimated cost of work beyond Rs.1 crore(subject to a maximum of Rs.1 crore).

The earnest money shall be rounded to the nearest Rs.10. This earnest money shall be applicable for all modes of tendering.

**(b) Security Deposit :-** Unless otherwise specified in the special conditions, if any, the Security Deposit/rate of recovery/mode of recovery shall be as under :-

- (i) Security Deposit for each work should be 5% of the contract value,
- (ii) The rate of recovery should be at the rate of 10% of the bill amount till the full security deposit is recovered,
- (iii) Security Deposit will be recovered only from the running bills of the contract and no other mode of collecting SD such as SD in the form of instruments like BG, FD etc. shall be accepted towards Security Deposit.

Security Deposit shall be returned to the contractor after the physical completion of the work as certified by the Competent Authority. The Competent Authority shall normally be the authority who is competent to sign the contract. If this Competent Authority is of the rank lower than JA Grade, then a JA Grade Officer (concerned with the work) should issue the certificate. The certificate, inter alia, should mention that the work has been completed in all respects and that all the contractual obligations have been fulfilled by the contractors and that there is no due from contractor to Railways against the

contract concerned. Before releasing the SD and unconditional and unequivocal no claim certificate from the contractor concerned should be obtained.

(c) The procedure for obtaining Performance Guarantee is outlined below :-

(i) The successful bidder shall have to submit a Performance Guarantee (PG) within 30 (thirty) days from the date of issue of letter of Acceptance (LOA). Extension of time for submission of PG beyond 30 (thirty) days and upto 60 days from the date of issue of LOA may be given by the Authority who is competent to sign the contract agreement. However, a penal interest of 15% per annum shall be charged for the delay beyond 30 (thirty), i.e. from 31<sup>st</sup> day after the date of issue of LOA. In case the contractor fails to submit the requisite PG even after 60 days from the date of issue of LOA, the contract shall be terminated duly forfeiting EMD and other dues, if any, payable against that contract.

(ii) The Performance Guarantee should be furnished by the successful contractor after the letter of acceptance (LOA) has been issued but before signing of the agreement and should be valid up to expiry of the maintenance period. The agreement should normally be signed within 7 (seven days) after the issue of LOA and Performance Guarantee should also be submitted within this time limit.

(iii) Performance Guarantee shall be released after satisfactory completion of the work and maintenance period of the work. The procedure for releasing should be same as for Security Deposit,

(iv) Wherever the contracts are rescinded, the security deposit should be forfeited and the Performance Guarantee shall be encashed and balance work should be got done separately,

(v) The balance work shall be got done independently without risk and cost of the original contractor,

(vi) The original contractor shall be debarred from participating in the tender for executing the balance work. If the failed contractor is a JV or a partnership firm, then every member/partner of such a firm would be debarred from participating in the tender for the balance work either in his/her individual capacity or as a partner of any other JV/partnership firm.

## **9.5 Constitution of Tender Committee**

(Schedule of powers may be referred to)

- (a) A tender Committee is formed for consideration of tenders involving a certain minimum amount. The Tender Committee besides their generally known responsibilities has a special responsibility to scrutinize carefully the rates tendered with reference to the scope of the various provisions in the agreement governing the contracts. Such a scrutiny should be done with the object of ensuring that no unintended benefit accrues to the contractors on the basis of certain clauses in the agreement which may be appropriate for one kind of contract and may not be so for another category. Normally, only the lowest tender should be accepted. In all cases where the lowest or lower tenders are rejected, the reasons thereof should be recorded. In cases, where all the tenders are considered to be unreasonably high in value and it is felt that re tendering would not secure better advantage to the Railway and/or where the lowest tender is technically not acceptable or is rejected because of unsatisfactory credentials, inadequacy of capacity or unworkable rates, and the next higher offer to be considered in accordance with the established procedure is found to be unreasonably high, all the tenderers excluding those whose tender was rejected because of unsatisfactory credentials, inadequacy of capacity or unworkable rates or whose tender was not accompanied by Earnest Money should be asked to re-quote by a specified date. Further, negotiations based on the re-entered rates should be conducted with the lowest tenderer only and an Accounts Officer should be associated in all such negotiations. Tenders should be considered

without delay and should be finalized within the period of validity of offers, clarifications should not be sought, piecemeal from the tenderers and all the information necessary for consideration of offers should be called for at one time leaving no occasion for seeking further extension of time.

- (b) The tenders relating to Divisions are invited and finalised at the Divisional level. Tenders requiring acceptance by Heads of Department/GM are sent to Head Office for consideration at Headquarters level. After finalising the tenders, all the tender papers including Tender Committee proceedings and rejected tenders are returned by the Headquarters to the Divisions. In certain cases, the papers are retained at Headquarters.

## **9.6 Execution of agreements**

(Schedule of Powers may be referred to)

- (a) After the finalisation of tenders, the Railway Administration should take steps for the execution of an agreement with the tenderer whose rate has been accepted. The agreements should be executed in the standard form prescribed and any special conditions peculiar to contract should be worded clearly and without ambiguity. In cases, where provision has been made for making advances, the agreement should contain a penalty clause for recovery of the amount with interest.
- (b) After the execution of agreements, work orders are issued on the contractors to start the work. In the case of Zonal contracts, the Divisional Officers are empowered to issue work orders.

## **9.7 Review of Tenders and Contracts**

Refer Para 267 of RAM.

- (a) The audit of the tenders and contract devolves on the Divisions/Unit Sr. Au Os concerned. In respect of tenders and contracts for which complete papers are available at Headquarters, the audit of contracts will be conducted by Headquarters Expenditure Section. The review of tenders and contracts relating to Medical department for bulk purchase of articles will also be conducted by Headquarters Expenditure Section.
- (b) The review of tenders and contracts should be conducted quarterly. (i.e. agreements entered into in one quarter should be reviewed in the next quarter to the extent prescribed in the Secret Memorandum). The percentage of check is to be applied to the individual departments of the Railways and the various departments should not be grouped for this purpose.
- (c) The review of contracts should be carried out in accordance with instructions given in Para 267 of RAM and Chapter XII of the Indian Railway Code for Engineering Department. The following additional points should also be borne in mind:
  - (i) While scrutinising the tenders, care should be taken to see that the instructions laid down by the Railway Board in the matter of calling for and acceptance of Tenders have been observed by the Administration. Particular care should be taken to see that reasons for non-acceptance of the lowest tender have been recorded and that such reasons are acceptable. In cases where tenders had to be called for a second time for the same work, the reasons thereof should be investigated and it should be seen that loss has not occurred due to delay in acceptance of original tender or for any other reasons.
  - (ii) The scrutiny of contracts should be directed to see whether the fundamental principle relating to contracts have been duly followed and the best financial advantage has been secured to the Railway. The rates in the accepted tender in all cases should be compared with the rates incorporated in the agreements. It should also be seen that the date of completion is clearly indicated in the contract.
  - (iii) In cases where the quantities/rates in the original agreement are to be varied or extension of time is to be given to the contractor for completion of the work, rider agreements are entered into. Such rider agreements should be scrutinised with reference to the original tender papers to see that the principle of calling for tenders and accepting



the lowest of the most advantageous tender is not vitiated by the increase in rates/quantities allowed subsequently or by granting extension of time. It should also be ensured that extension of time is granted on the basis of a “no loss certificate” and the reasons adduced are acceptable.

- (d) The tender Register maintained in the executive office should be reviewed occasionally and lists compared with the particulars recorded therein to ensure that there are no omissions. Any abnormal delay noticed in the execution of agreement after tenders have been accepted, should be commented in audit.

### **Checklist of Tenders and Contract**

S.N.	Item of check	Result/remark
<b>Abstract Estimate</b>		
1	Whether the Justification of the project in the context of the nature of work is relevant (Y/N)	
2	Administrative approval has been given by the competent authority and competency adjudged on the cost of the work	
3	The estimate has been framed keeping in view the various specifications, drawings	
4	The allocation of fund for the work was shown and was as per the prescribed source of fund	
5	The estimate is prepared after ascertaining the ROR.	
<b>Detailed Estimate</b>		
1	The estimate is prepared in conformity with the various specifications and drawings relating to the particular project	
2	An appropriate sanction of the competent authority has been obtained	
3	The cost is worked out judiciously according to the available USSOR and market trends	
4	The estimate contains sufficient credits for released materials )CRRM(:	
5	The estimate is prepared after ascertaining the ROR	
6	The estimate is sanctioned by the competent authority after vetting of finance	
7	Detailed Estimate is compared with an abstract estimate for seen variation	
<b>Tendering</b>		
1.	Tender Notice No. and Date	
2.	Advertised cost	
3.	Date of uploading of tender notice	
4.	Date of opening of tender	
5.	Time taken for opening of tender	
6.	No. of offers received	
6a.	Offer received below three may be assessed during audit	
7.	Whether Briefing Note giving all the details in the tenders received, previously accepted rates, observations on the documents submitted by the tenderers etc. is submitted to Tender Committee.	
8.	Whether the tenders were finalized within validity period without necessity to seek extension of validity period from	

	tenderers.	
9.	Date of final TC meeting	
10	Time taken from date of opening to final TCP meeting	
11.	Whether plan, drawing, site etc. were ready before invitation of the tender? Whether these form a part of tender documents?	
12.	Date of issue of Letter of Acceptance (LOA)	
13.	Awarded cost	
14	Time taken for issue of letter of acceptance from date of orders of Tender Accepting Authority	
15	Total time taken from issue of tender notice to issue of LOA	
16	Reasons for abnormal time taken (more than 90 days from the opening of tender)	
17	Date of discharge of tender	
18	Value of the lowest bidder in discharged tender	
19	Brief reasons for discharge of tender	
20	Date of issue of re-tender notice	
21	Value of the accepted offer of re-tender	
22	Difference in value	
23	Whether entire work taken up in single tender or more than one tender	
24	Whether tender was splitted(Y/N)	
24a.	Reasons for splitting of tender may be assessed during audit	
25	whether contract awarded to L1	
26	If not, the reasons for rejecting L1	
27	Excess expenditure due to bye passing L1	
<b>Contract Management</b>		
1	Date of entering into the agreement	
2	Delay in execution of agreement after prescribed time limit	
3	whether EMD was forfeited as per GCC (Y/N)	
4	If not, Amount of EMD non-forfeited	
5	Due date of submission of PG	
6	Actual date of submission of PG	
7	Time taken to submission of PG	
8	If PG submitted after 30 days from date of issue of LOA, Penalty actually levied and recovered	
9	If contractor failed to submit the PG, whether EMD was forfeited	
9a	Execution of contract document and submission of PG may be analyzed according to GCC as implemented in tender documents.	
10	Due date of completion	
11	Date of extension granted and reasons	
12	Extension attributable to Railways/Contractor	
13	In case of extension attributable to contractor, LD/Penalty levied and recovered	
14	Increase in value of contract due to additional quantities/New items	
15	Number of new items included not available in sanctioned estimate	

16	Whether new items are included during course of execution	
17	Whether new items included, are covered by competent sanction	
18	Whether variation is approved by competent Authority (Y/N)	
19	Whether difference in SD/PG due to increased value of work has been collected (Y/N)	
20	If not collected, short-recovery of SD/PG	
21	Whether quantities claimed in the bill tallies with MB (Y/N)	
22	Whether prescribed percentage has been checked by the next higher authority (Y/N)	
23	Whether date of measurement tallied with the on-account bill (Y/N)	
24	Whether PVC paid during extended period of contract (Y/N)	
25	Avoidable excess payment of price variation in extended period of contract	
26	Final bill should reconcile with the final variation statement sanctioned.	
27	Reconciliation statement of materials )supplied by Railways or contractors( should be scrutinized during the check of final bill.	
<b>Completion Report</b>		
1	Whether the CE/CR is vetted by the Associated Finance and vetting letter is furnished	
2	Whether CE/CR is sanctioned by the competent authority after vetting of finance	
3	Reasons for delay in drawal of CR/sanction of CE should be analyzed	
4	Comparison of the cost of work actually incurred and the provision in the last sanctioned estimate, may be carried out	
5	Expenditure shown in CR should be tallied with the register of work/work register	
6	Adjustment of all outstanding debits and credits should analyzed	

### **9.8 Record of Tenders and Contracts reviewed**

- (a) With a view to ensure that the audit sections do not miss any essential point during their review each Division/Unit should maintain a register to record the results of review of contracts done by the AAuOs and Sr.AuOs. The outstation units should submit this register during the visits of Deputy Director/Director/Pr.Director of Audit. Contracts reviewed by the BOs and to be current reviewed by the Group Officer should be sent to the Director/Dy. Director quarterly or during his visit to the unit whichever is earlier. Similarly contracts due to be reviewed by the Group Officer should be sent to him as and when received or during his visit to the unit whichever is earlier and submitted to the PDA quarterly or during her visit to the unit whichever is earlier.
- (b) Further action taken on the notes of review should also be recorded in the register giving particulars of the reference no. and the date of the letter issued to the Administration. Any contract involving peculiar features should be reported to the Efficiency cum Performance Audit Section for further scrutiny.

### **9.9 Audit of Work Orders**

As regards monetary limit fixed for divisional offices for issue of work orders, GCC July 2014 may be referred to. After the execution of agreements, work orders are issued by the Divisional Officers upto Rs.2 Lakhs in each case. In the case of special

agreements, orders to start the work are issued by the executive offices concerned to the contractor. It should be seen that the works are completed within the date of completion as stipulated therein. It must also be seen that materials etc. outside the terms of contract are not given and if given, recoveries are affected at the rates prescribed in the Engineering Code.

#### **9.10 Check of Contractor's bills**

(a) Refer Paras 270 & 271 of RAM.

Selection should be made in the two categories viz. On Account bills and Final bills. As per the extant Audit norms, selection should be made upto 10 lakhs and above Rs.10 lakhs for the On Account bill and upto Rs.1 lakh, above Rs.1 lakh and upto Rs.1 crore and above Rs.1 crore for final bill. All on account bills relating to the final bills selected for audit should also be audited along with the audit of final bills. The particulars of previous on account bills viz. voucher No. and amount etc. relating to each of the final bills audited along with the final bills should be kept on record separately in the Selection Register.

The detailed instructions given in Paras 270 and 271 of the RAM are to be followed. It should also be seen that:

(i) the total quantity charged for in all the connected 'on-account' bills, plus the quantity executed since the last certificate, agree with the total up-to-date quantity and the necessary entries have been made in the contractor's ledger;

(ii) the amounts paid in all the previous on account bills have been deducted from the total of the final bill;

(iii) there have been no abnormal delay in taking the measurement or in preparing the bills after the measurements have been taken;

(iv) the date of the work order is not later than the date of the measurement;

(v) the rates claimed in the bills are those laid down in the Agreement. In case refund of freight charges for some material brought from an outstation has been allowed to the contractor, the railway receipt in favour of the contractor or his authorised agent and no one-else and a certificate to the effect that the materials were wholly used on the work and were not available at or near the site of the work has been given;

(vi) double payment is not made in respect of one and the same item of labour and stores;

(vii) in the case of bills for works, for which estimates have not been sanctioned or the estimates of which have been exceeded, it should be seen that the conditions laid down in the Engineering code have been fulfilled;

(viii) the quantity of materials issued to the contractor is commensurate with the quantity of work executed by him. When charges for labour alone are claimed for items of work for which inclusive rates were quoted, the recovery for cost of stores issued has been correctly made; For this purpose, a statement is sent by the Assistant Engineer alongwith the final bills; showing -

(a) the issue of material to the contractor, the cost of which is recoverable from him, in accordance with the conditions laid down in the Work Order/Agreement and a reference to the recovery slips issued by the Assistant Engineer.

(b) the description and quantities of stores issued to the contractor, for items of work for which labour rates only were quoted in the Work Order. In juxtaposition to these quantities, the drawing office is required to show the quantities of material actually required for the work on the basis of the quantum of work executed, as shown in the measurement book or in the completion plan. Discrepancies between the two, if any, should be taken up. For items for which material at site account is maintained, a statement of Stores utilized on the works is prepared in the Divisional Office by the Stores Section from the material at site account returns received from the subordinates monthly and made over to the staff checking the final bills, so that a comparison can be

made between the quantities shown as issued in the statement and the quantities as worked out from the details of measurement or from the plans. This statement is filed with the statement sent by the Assistant Engineer and is also compared with it.

(ix) Supervision and freight charges on stores issued to the contractor have been recovered, if due.

(x) Hire charges for plant and machinery lent to the contractor have been recovered at appropriate rates.

(xi) In cases where labour has been provided by the Administration, appropriate recovery of charges is affected from the contractor.

#### **9.11 Contractor's ledger**

Refer Paras 272 & 273 of RAM.

This ledger is maintained to show the personal accounts of the railway contractors exhibiting all transactions with them whether relating to one or several works or to materials purchased from them or made over to them. This should be checked at the time of checking the contractors' bills.

#### **9.12 Labour Pay Sheets**

Refer Paras 275 & 276 of RAM.

Labour Pay sheets need not be checked in central audit. It is sufficient if these are checked during local inspections (CAG's letter No.647-590-RAI/8-11/73 dt: 5-3-74)

#### **9.13 Register of works and Revenue allocation Register**

- (a) For recording expenditure on sanctioned works, detailed register of works in the prescribed form is maintained. Works Registers enable the Railway Administration to watch the progress of expenditure month by month and to control the expenditure against sanctioned estimates and budget allotments. Revenue Allocation register - now a computerized statement is maintained for recording expenditure on Administration of several departments, repairs and maintenance etc. indicating the expenditure booked under each sub-detailed heads of account under the various Revenue Abstracts. Control over expenditure against allotment is exercised through the medium of Revenue Allocation Registers. In the open line only one set of Works Registers and Revenue Allocation Registers is maintained by the combined Accounts section which is under the control of both the Accounts and Executive Officers. The Works Registers are periodically reconciled with the General Books. For this check, the working sheets prepared by Accounts office should be referred to. In the construction organization, however, two sets of Registers are maintained both for works as well as Revenue (i.e.) one in executive office and the other in the Accounts office. In those cases, it should be seen that the two sets of documents are reconciled and action taken to set right the discrepancies etc.
- (b) The review of the reconciliation of works and R.A.R. should be conducted to the extent prescribed in the Secret Memorandum of Instructions.  
The annual general review of the Registers of Works and Revenue Allocation Registers should be conducted by dividing the field of audit into 12 suitable units and one unit should be taken up during the course of audit every month. During the 12<sup>th</sup> month (March each year) the units already covered should be examined again to see that the entire field has been completely covered.
- (c) An entry should be made in the Calendar of Returns of the Divisions/Sections for carrying out this review during the month of March. The instructions contained in Para 280 and 281 of the RAM should be borne in mind while conducting the review.
- (d) **Tracing of vouchers into R.A.R.:**  
The statement (FA-760) gives actual expenditure for a month and to end of the month, Demand wise, sub-head wise and primary unit wise. In addition, computer print out FA.770 is also maintained in the Accounts Office. This print out gives the date wise

bookings of expenditure under each demand, sub-head and primary unit wise. In such cases, when a CO7 contains vouchers each allocable to a different head of account tracing the same directly in the computerized statement is done. If, however, more than one voucher included in the CO7 is allocable to the same head, the tracing may be done in the CO7 in which the voucher is included and the consolidated posting in the computerized statement checked, as the cumulative total of vouchers corresponding to a single head of account only is exhibited in the computerized statement.

#### **9.14 Completion Reports**

Refer Para 284 of RAM and Chapter XVII-E.

- (a) After the work has been completed and all the charges are brought to account, a completion report bringing out the actual expenditure incurred vis-à-vis the sanction is prepared as laid down in the Engineering Code. Brief explanations for variations (excess/saving) over the sanctioned amounts and quantities should be furnished in the completion report. The completion reports are submitted to the authority, who sanctioned the original estimate.
- (b) List of completion reports issued by the Heads of Departments and Divisional offices etc. are received in the Audit Sections/Divisions concerned periodically.
- (c) The audit will be conducted to see whether the provisions of Para 1712-E have been complied with. The figures of expenditure shown in the completion reports should be verified with the expenditure recorded in the register of works. Entries in the Register of Buildings/Sidings should also be referred to check the accuracy of the certificates furnished in the completion reports. Apart from the checks prescribed in the RAM, it should be seen that the excesses and savings are satisfactorily explained.

#### **9.15 Test to judge the productivity of Capital Expenditure**

Refer Para 292 of RAM.

- (a) In accordance with the existing orders, the following categories of work will be subjected to productivity test and productivity review:-
  - (1) Productivity Test: (i) All works costing over Rs. one crore which have been accepted as financially justified, when they were sanctioned.  
(ii) Items of works selected by GM out of works costing Rs.10 lakhs to one crore which have been accepted as financially, justified when sanctioned.
  - (2) Productivity Review: (i) Works costing over Rs. one crore each which were not financially justified but give some return on the capital which are selected by the Railway Board and advised to the Railway Administration, for carrying out the review.  
(ii) Items of works costing between Rs.10 lakhs and one crore which were not financially justified but give some return on the capital which are selected by the General Manager.
- (b) In respect of selection for productivity review made by the Board, an indication to this effect will be given in the sanctions issued by the Board. In respect of works for Productivity Test/Productivity review for which the selections are made by the Railway Administration, the selection will be made by the GM in consultation with Pr. Financial Adviser. It should be seen whether works in respect of which these tests have to be applied are duly selected by the Administration and the selections made are representative in nature and character.
- (c) The reviews prepared by the Administration should be examined generally to see inter-alia, whether
  - (i) all the relevant factors affecting the financial results have duly been taken into account.
  - (ii) the results have been correctly worked out as laid down in the code.
  - (d) A special report should be made to the DAI (Rlys.) when the examination of

productivity tests conducted by Railway Administration reveals any important or peculiar features or when there is any doubt or difference of opinion in regard to the interpretation of Railway Board's orders or in regard to information that should be supplied.

#### **9.16 Review of Completed Contracts**

- (a) In addition to the scrutiny of larger tenders and contracts a review of completed contracts should also be done periodically. All completed contracts to the extent prescribed in the Secret Memorandum, are to be selected quarterly and performance of these completed contract should be reviewed to see whether -
- (i) There has been any large variation of quantities which has led to the accepted value of the contract proving to be not the lowest vis-à-vis other tenders.
  - (ii) Large scale unauthorized aid has been given to the contractor.
  - (iii) Extension of time has been given only for valid reasons and penalties have been duly imposed for the unsatisfactory progress of work, wherever necessary.
  - (iv) Contractors accounts have been promptly closed; Defects and Deficiencies in the contracts, if any noticed in audit are to be taken up with Administration. Any important irregularities should be brought to the notice of the CAG.
- (b) The review of completed zonal contracts should be taken up soon after the currency is over, without reference to the final bills. During the course of review the list of work orders not complied with, not executed should be specially considered for comment.
- (c) The results of review of the completed contracts done by the AAuOs and Sr.AuOs must be recorded in the Register maintained for this purpose.

#### **9.17 Private siding and Assisted siding Accounts**

Refer Para 285 of RAM.

- (a) The list of sidings is divided into a number of units and one unit selected every month so that the whole field is covered in a year. It should be ensured that the list of sidings maintained is complete and up to date duly calling for the list of sidings annually from the Traffic Audit Section.
- NOTE; No new Railway sidings will be constructed on assisted siding terms. Only in case any existing assisted siding is required to be extended/altered the work can be taken up on assisted siding terms provided the cost of recoverable materials to be borne by the Railways is less than Rs.5 lakhs. In case this cost is Rs.5 lakhs and above the work should be carried out on private siding terms. (Railway Board's letter No.83/W1/SP/45 dt: 1-12-86)
- (b) It should be seen that the rate of recovery of interest and maintenance charges has been fixed correctly with reference to Railway Board's orders issued from time to time and that recoveries are being affected promptly. A review of the files relating to the recovery of charges from the siding owners maintained in the Accounts Office would be useful to see that the interests of the Railways have been safeguarded. It should also be seen that the entries contained in the siding register maintained in the Accounts office are being duly verified annually with the statements of sidings obtained from the Divisional Engineers.

#### **9.18 Agreements for sidings**

New agreements and amendments to the existing agreements executed during the year should be checked fully while the existing agreements should be thoroughly checked every year to the extent prescribed in the Secret Memorandum.

#### **9.19 Rent - Railway Buildings**

Flat rates of licence fee for the different types of quarters fixed based on Railway Board's letter No.E(X) I-87/11/6 dt.25.9.87, are revised once in 3 years. At the time of revision, the Railway Board forwards a statement showing category of accommodation, standard plinth area, proposed area for slab range of each group and the revised standard

rent (licence fee) for each sub group. The recovery of rent/revised rent should be watched by Sr. AuO/AuO concerned. In this connection, recovery of dues from officers who are occupying leased accommodation may be watched with reference to orders issued from time to time.

## **9.20 Capital and Revenue Accounts of Residential Buildings**

Refer Para 259 of RAM.

- (a) With a view to enable the Railway Administration as well as the Railway Board to see that the return of rent obtained on residential buildings does not fall below the percentage, as fixed from time to time, a proforma Capital and Revenue Accounts of Residential Buildings will be prepared by the Accounts Office every year for Gazetted and non-Gazetted staff quarters. The same shall be reviewed in Audit to the extent prescribed in the Secret Memorandum. It is to be seen in Audit that:
- (i) All new residential buildings completed during the year as well as additions made to the existing buildings have been taken into account and any buildings condemned have been omitted.
  - (ii) Buildings hired by the Administration for residential purposes have been included.
  - (iii) The quarters are not reclassified from one group to another to cover up cases where the minimum economic rent is not realised. Municipality and charges are paid direct to that agency by the Officers, such payments to the Municipality according to the rates levied by it should continue. In respect of cases where water is supplied from Railways' own water works or water is supplied by an outside agency to the Railway Administration and is paid for by the Administration, the recovery should be made on the actual consumption of water, on the basis laid down by the Railway Board. The Board have also instructed that a periodic review of the adequacy of the rates should be undertaken in consultation with the Principal Financial Adviser at the end of every three years. It should be watched in Audit that this periodic review is conducted by the Railway Administration and if the review shows that expenditure is much more than the recoveries, the matter should be reported to the CAG (Railways).(C&AG's endt.No.2731-RAI-A-12-29/52 II dated 23rd September 1959).
  - (iv) Where the prescribed minimum return has not been realised on any class of quarters from year to year the Railway Administration may be asked to examine the reason for the same.
- (b) The rates for recovery are finalized by the General Manager/Works in consultation with the Pr. FA. The correctness of the rates will be scrutinized by Expenditure Section/Hqrs. However, as some of the details for fixing the rates are furnished by the Divisions the correctness of these details will have to be reviewed by the Divisional Audit Officers concerned. The check of recoveries towards water charges from the Pay bills will be watched by the Establishment section.
- (c) The check of Capital and Revenue accounts of Residential Buildings will be conducted both in Expenditure and Establishment Audit section. The Expenditure audit section is responsible for checking the correctness of the Capital outlay and the Establishment Audit Section is to see that the amount of rent shown as realized is correct. For this purpose, the BOs will check the statement prepared by the Accounts Officers concerned in respect of Non-gazetted staff. A copy of the audited statement together with the remarks, if any, shall be furnished to the Expenditure Section of Headquarters office.
- (d) In regard to the statement relating to Gazetted staff quarters, however, it will be enough if the Capital cost as advised by the Accounts Officer is audited by the respective Sr.AuOs. A copy of the statement together with the comments of the BO thereon, will be forwarded to the Expenditure Section of the Headquarters office. The Expenditure Section is responsible for co-coordinating the work relating to the audit of capital and Revenue Accounts and for sending the final comments to the Administration.



### 9.21 Recovery of water charges from Officers occupying Railway quarters

As per extant orders issued by the Railway Board the Gazetted Officers should be charged for water supplied to them by the Railway Administration and the charges should be adequate to meet the cost incurred by the Railways in this respect. In cases where water is supplied direct by an outside agency viz. Municipality, and charges are paid direct to such an agency by the Officers, the Railway Board have stated that no change is necessary and the present arrangements under which Officers pay water charges direct to the Municipality according to the rates levied by it should continue. In respect of cases where water is supplied from railways own water works or water is supplied by an outside agency to the Railway Administration and is paid for by the Administration, the recovery should be made on the actual consumption of water and the basis for rate of recovery has been laid down in Board's letter dated 2nd September 1959. The water charges are to be revised once in 5 years. The check of recoveries towards water charges from the pay bills will be watched by the Establishment section.

### 9.22 Fixation of rate of supply of Electric energy

(i) With effect from 1-1-1987, the Railway employees residing in the Railway colonies are to be charged at the rate as they would pay if they had taken supply direct (i.e. they will pay at the same rate as the residents of adjoining colonies are billed for domestic purposes from the local supply authorities).

**Note:** For new quarters wherever possible and practicable direct service connections from local authorities/electricity lines is to be arranged by the Administration in a phased manner that the occupants can be billed individually and they can clear their electricity charges without coming to Railway channel. (Railway Board's letter No.84/Elec.1/150/2 dated 21.1.1987)

(ii) The recovery of electricity charges from outsiders/other Government departments by the Railway Administration will be as under:-

**From outsiders:** A service charge of 40% over and above the average purchase of electricity as on 1st January of every year.

**From Government Departments:** A service charge of 32.5% over and above average purchase rate of electricity as on 1st of January of every year.

Note: The service charge worked out as above is after taking into account the departmental charges, line losses etc. These rates should be made applicable from 1<sup>st</sup> April every year. (Railway Board's letter No.85/Eleccc.I/137/6 dt: 19-2-87).

a) The pooled flat rate applicable for both electric energy consumption for lights/fans as well as that consumed for domestic appliances by staff residing in Railway Quarters should be fixed yearly for each Division separately based on average of the purchase rates of electricity purchased from the State Electricity Boards or other agencies covered by the Railway Division concerned. The average of the purchase rates should include such taxes and duties including electricity duty as levied by the Electricity Boards. 10% over such average rate should be added for arriving at the pooled rate applicable for the Division concerned. The maximum demand charges levied by the Electricity Boards/agencies and cost of generation by standby sets not feeding the staff colonies need not however be taken into consideration for calculation of the average purchase rates. The tariff as applicable on the 1st January of every year is to be taken as the basis for computation of the pooled rate applicable with effect from 1st April of each year. (Railway Board's letter No.79/Elec/I/150/2 dt: 13-12-82).

(b) The correctness of the yearly revision of the pooled rates should be reviewed by the Division concerned annually.

### 9.23 Grants-in-aid

Refer Chapter 5 of Sec.III of M.S.O. (Audit) Vol.I.

The payments made by the Railway Administration as Grants-in-aid to various

institutions will be audited to the extent prescribed during the local inspections of the respective institutions as per the revised Audit norms. While scrutinizing these bills in audit, it should be ensured that the instructions issued by the Railway Board from time to time in regard to certain cases e.g. payment of grants-in-aid to non-railway schools, have been taken into account by the Administration. Besides, the following points should be specially looked into:

(i) Whether in the case of grants-in-aid for which certain conditions are attached, necessary arrangements have been made by the Administration for ensuring that the grants have been utilised by the recipients only for the purpose for which the amount was granted.

(ii) Whether the utilization certificate in regard to such grants has been obtained from the recipients by the Executive;

(iii) One of the important points to be borne in mind by the Administration before sanctioning grants-in-aid to institution etc. is to see that no grants are sanctioned in cases where there is a reasonable suspicion of corrupt practices unless the bodies concerned are cleared of allegations. In Audit, it should be seen that a specific certificate to the effect that the above aspect has been considered before sanctioning the grant and that there is no reason to believe that grantee institutions are involved in corrupt practices duly signed by the Officer on whose signature or countersignature to the bill the grants-in-aid bill is drawn is attached.

#### **9.24 Audit of Journal vouchers including scrutiny of adjustment Memo**

Refer Para 278 of RAM.

The journal vouchers relating to expenditure section (including the fuel accounts section) will be checked to the extent prescribed in the Secret Memorandum. In addition to the instructions contained in RAM, the following special points are also to be seen:-

(i) Cases of delayed adjustments involving large amounts and pertaining to the previous years will be noted for check regarding provision in the Budget grant during audit of appropriation accounts.

ii) Cases of misclassifications, important mistakes in accounting and any other important points affecting the appropriation accounts noticed during the check will be noted in a separate register to be looked into at the time of check of appropriation accounts.

(iii) Adjustments involving heavy amounts, made in the accounts of March of every year will be reported with full details to the Efficiency cum Performance Audit Section, if further examination at Headquarters level is considered necessary.

(iv) In regard to the debits raised by the Postal and Telegraphs Department towards rent of Telegraph wires and adjusted in the accounts through journal vouchers, the correctness of the amount should be checked.

Audit of journal vouchers includes tracing of the same to the extent prescribed in the programme of audit into the Works and Allocation Registers.

#### **9.25 Audit of contingent vouchers**

Refer Para 227 of RAM.

As per the new audit norms Contingent vouchers of accounts department have to be centrally audited and that of other than accounts departments during local inspection by the Inspection section.

Selection for audit should be taken for 'Accounts Departments' and audit completed to the extent prescribed in the programme of audit. The advertisement charges incurred by the Administration will come under this category. The procedure for audit is the same as those prescribed for Establishment Audit.

#### **9.26 Objectionable items registers**

Refer Para 283 of RAM.

During the review of the objectionable items Registers, it should be seen that the expenditure is not kept under objection for unduly long time and effective steps are taken by the Accounts office for the early regularization of the expenditure. During the review of the Works Register, it should be seen that the amount under objection has been correctly noted in the Register. Any more cases of 'excess over estimate' or 'want of estimate' coming to notice during the review will be pointed out to the Accounts office for inclusion in the objectionable items register. Further, any other objections, raised by Audit regarding irregular payments will also be recorded in the objectionable items registers till these payments are regularized. In regard to other miscellaneous objectionable items, it should be seen whether such items reveal any special features to be further investigated in audit. Finally, at the time of the check of Appropriation Accounts, it should be seen that the amounts held under objection during the year are correctly shown in the statement of unsanctioned expenditure.

#### **9.27 Land Registers**

Refer Para 282 of RAM.

The whole field will be divided into 12 units and one unit should be reviewed monthly as prescribed in the programme of Audit. In regard to the lease of land for Grow More Food Campaign, it is to be seen that the Registers maintained in the Engineering Branch are reviewed periodically by the Accounts Office. It is to be seen in Audit that credits for amounts due from the State Governments are promptly received.

#### **9.28 Law charges and Arbitration cases**

Refer Para 277 of RAM.

The primary audit to be exercised over the expenditure incurred in connection with the law charges is to see that the financial power of the officer sanctioning the amount has not been exceeded. The record maintained to note the charges incurred in each case should be consulted in this connection. Important cases of disputes in which Railway is involved may be considered for making suitable comment in the Railway Audit Report.

#### **9.29 Pay Orders and other vouchers not falling under any other category**

Refer Para 288 of the RAM.

As per the new audit norms miscellaneous pay orders of Accounts department have to be centrally audited and that of other than accounts department during local inspection by the Inspection section.

Only vouchers not falling under any other category in the programme of Audit are included under this Category and audit conducted to the extent laid down in the Secret Memorandum. While auditing these vouchers, the points to be seen during the audit of vouchers for payments contained in Para 269 of RAM will be borne in mind. The bills relating to the payment of service charges to Local Bodies will also be audited under this item of audit.

#### **9.30 Rent Registers**

Refer Para 221 of RAM.

It should be ensured in audit that a register is maintained in the Accounts Office showing particulars of all Railway Buildings let out to outsiders so as to watch the recoveries due from them. The recoveries made in each case shall include rent for the accommodation, rent on electrical sanitary installation, Municipal tax, and cost of electrical energy, water and conservancy charges. It should also be seen that recoveries are made at the rate fixed by the GM from time to time and that residential buildings let out to outsiders are included in the Capital and Revenue Accounts of Residential Buildings. In cases of delay/non-recovery of heavy amounts, it is to be considered whether any suitable comment can be made in the Railway Audit Report.

#### **9.31 Review of Suspense Registers**

The review in respect of Suspense Registers maintained in the Expenditure Section of the Accounts Office is to be conducted to the extent prescribed in the Programme of Audit and as per instructions laid down in the RAM.

**9.32 Register of serious irregularities, losses and Overpayments waived**

Refer Para No. 475 to 477 of RAM.

The Registers maintained in the Expenditure Section of the Accounts office should be reviewed quarterly. In the case of items noted therein, it should be seen that the write off in each case has been sanctioned by the competent authority. The papers of the Accounts Office should be perused to see whether the subject is fit for mention in the Railway Administration, wherever necessary, is thorough and adequate and whether safeguards exist to obviate the recurrence of the irregularity.

**9.33 Check of Permanent Way Balance Returns**

The Permanent Way Balance Returns submitted by the Section Engineers (Permanent Way) need not be checked in Central Audit as an independent item. However, these Balance Returns may be examined during Inspection of Executive Officers. During the Half yearly review of suspense balances and audit of Journal Entries the clearance of outstanding balances may be watched and if necessary, may be commented upon. As regards charged off stores, the accounts should be checked during local inspections.

**9.34 Imprest Account, Dead Stock Accounts, Pass and Privilege Ticket Orders issued, Stamp and Stationery account of Accounts office**

The details of items viz. results of verification of imprest cash, stamp account etc. should be kept on record

**9.35 Fuel Accounts: (General)**

- (a) The responsibility for initial accounting of receipts and issues of coal/diesel rests with the Chief Mechanical Engineer in the case of coal/diesel required in workshops and with the Chief Operating Superintendent in the case of coal/diesel required for the running of engines. The procedure for accountal of fuel transactions by the Pr. FA is set out in detail in the fuel circulars issued by the Administration. The centralized fuel section at Prayagraj is responsible for the accountal of payments made in respect of all coal/diesel received for the railway as a whole, including raising of debits against the various divisions and workshops for the coal/diesel supplied to them. The adjustment of foreign railway freight bills and maintenance of suspense registers is also done centrally. The work connected with the check and accountal of coal/diesel issued to the various services, maintenance of coal/diesel suspense accounts and priced ledgers for coal/diesel and problems covering storage and handling of coal/diesel will devolve on Divisional and Workshop offices.
- (b) The extent and periodicity of the audit of fuel transactions will be the same as applicable to similar stores items. This monthly audit is in addition to the items specifically provided for coal in the programme of audit and would be applicable to other fuel items also.  
(CAG's letter no.806-RAI/8-1/68 dt: 16-3-68 and 1364-RAI/8-3/68 dt: 8-4-69)
- (c) The audit of fuel accounts is conducted by the Expenditure Section at Headquarters and Divisional/Branch Audit offices by obtaining separate selections for coal/HSD oil. The items of audit to be conducted are set out in the succeeding paragraphs.

**9.36 Review of Suspense Registers**

The following suspense Registers are to be reviewed as laid down in the programme of Audit.

- (i) Purchases - Fuel (Headquarters unit only)
- (ii) Sales (Fuel)
- (iii) Stores-in-transit (Fuel)
- (iv) Deposits Miscellaneous-Revenue (Fuel)

(v) Stock Adjustment Account-Fuel.

The review may be conducted on the lines indicated in Paras 320 & 321 of RAM.

### **9.37 Sanctions**

Sanctions for the write off of losses of fuel due to transit shortages, stock shortages etc. should be scrutinised in full.

### **9.38 Check of Account Current: Fuel Monthly**

(i) The instructions contained in Para 319 of RAM should be borne in mind, during the check of this item.

(ii) (a) Receipt Returns, Monthly - Other Receipt returns: (Para 312 & 314 RAM)

(b) Delivery Notes - Monthly (Paras 315-316 of RAM)

For conducting audit, the transactions of one day per month of all the depots should be taken up. Different dates may be selected for (a) & (b) above and current review exercised to the extent prescribed of the number of vouchers audited.

(iii) Priced Ledgers/Transaction Register: (Annual item to be done monthly) (Para 317 of RAM).

Separate priced ledgers are maintained for HSD oil in respect of each shed. All the priced ledgers should be reviewed once a year selecting a few ledgers for audit each month. In addition to the general review of the ledgers, the following points are to be seen:

(a) The receipts and issues as per the monthly returns submitted by the sheds have been correctly abstracted and posted in the priced ledger.

(b) The value of the receipt side is posted as per debits raised by the Central Fuel Accounts Section.

(c) Issues are valued at the rates advised by the CFA.

(iv) Locomotive Energy Account: (Refer Para 329 of RAM)

A complete check of the month's fuel transactions should be carried out as prescribed and this will be in addition to the checks laid down separately for each item. For this purpose the number of sheds in a division may be divided into 12 units and one unit taken up for audit each month. Current review may be exercised to the extent prescribed on the number of sheds/depots audited.

(v) Local Review of initial records during inspection of Loco sheds:

The issue vouchers after check in respect of scale of consumption as fixed should be traced into the statement of daily issues which should in turn be traced into the Monthly statement of fuel transactions submitted by the sheds. Any issues in excess of the scale laid down; should be taken up with the Administration. The total receipts shown in the monthly statement of fuel transactions should be tallied with the total debits raised by the Centralised Fuel Accounting section. While checking the Account Current the allocation for issues of coal should also be verified with reference to the statements showing coal issues to different services submitted by the sheds.

### **9.39 Bills for rent of Telephone wires**

Refer Para 287 of RAM.

The bills are adjusted through Journal vouchers. While auditing the Journal vouchers it should be seen that the bill has been accepted by the department concerned regarding mileage etc. of wires and that the rates and calculations are correct.

### **9.40 Review of Hospitality Fund operated by PRO**

A general review of the accounts of the Hospitality Fund operated by the Public Relations Officer should be conducted every year to see that the expenditure has been incurred for the purpose for which the Fund is intended and the financial and other restrictions imposed by the Railway Board for incurring expenditure from this fund have been observed. (ADAI's endt.No.RAI/7-11/56 dt: 11-4-57)

PARA 9.8

FORM

Review of Tenders & Contracts - Awarded:-

- I. (a) Name of the Work/Service/Supply/Sales.  
(b) Name of the Contractor/Firm to whom awarded.  
(c) Value of the Contract.
- II.(a) Whether the lowest tender was awarded.  
(b) If not, whether reasons for rejecting the lowest tender have been placed on record by the competent authority.
- III. Whether Audit has questioned the exercise of discretion by the Officers accepting the tenders.
- IV. Whether all the points mentioned in Para 267 of the RAM have been seen.
- V. Reference to Special letter/TA Note issued regarding the comments made as a result of serial Nos. III & IV above.
- VI. Signature of the Officer who audited the contract.
- VII. Signature of the Officer who reviewed the Audit.

**Review of Completed contracts:**

1. Name of the work/service supply/sales.
2. Name of the contractor/Firm.
3. Value of the contract  
(i) as per the original agreement; and  
(ii) as finally executed.
4. Whether the work/supply/ Sales etc. was completed satisfactorily.  
Whether extension of time has been sought for by the contractor and if so, remarks therefore.
5. Audit comments/Special features, if any.
6. Reference to Special letter/T.A.Notes, if any.
7. Signature of the Officer who audited the contract.
8. Signature of the Officer who reviewed the audit.

## CHAPTER 10

### SURVEY & CONSTRUCTION AUDIT

#### 10.1 Duties

The Construction Audit Section is responsible for auditing the accounts of Surveys, Constructions of new lines, gauge conversion, doubling and other Major Projects undertaken by the North Central Railway. The following survey and construction Audit Sections are functioning in this office and the audit jurisdiction of these offices is shown against each:

Unit	Jurisdiction
Construction Allahabad	Construction activities under taken in Prayagraj & Kanpur.
Jhansi	Construction activities under taken in Jhansi & Gwalior.
Agra	Construction activities under taken in Agra their jurisdiction at Aligarh.

#### 10.2 Periodicity of Audit

The periodicity of audit of various items is as per the revised audit norms prescribed for Construction audit.

The duties and responsibilities of staff as well as the instructions contained in chapters on Establishment and P.F. Audit section, Expenditure Audit Section, Stores Audit Section, Books & Budget Audit section, Inspection Section including works review etc. apply in the case of construction Audit section also.

#### 10.3 Audit of accounts of subscribers to PF

The PF ledgers in respect of NG staff employed in various construction units are being maintained by the Accounts office associated with their parent office where their lien exist. However, PF accounts of GO's are continued to be maintained at Pr. FA/HQ/Prayagraj. Hence the advices are being sent to the concerned Sr.AuO for reconciliation & audit thereof.

#### 10.4 Consolidation of Appropriation accounts, Debt Head Reports etc.

The accounts and statements pertaining to Appropriation accounts of Prayagraj, Jhansi & Agra after verification by the Branch Audit Offices concerned are consolidated by the Headquarters Prayagraj and forwarded to Pr. FA with copy to the PDA, Books and Budget section, Allahabad.

#### 10.5

#### **Audit of Contractor's Bills (Earth work)**

In addition to the checks, which are normally required to be exercised in the audit of the contractor's bills, the following further checks should be carried out on the bills for Earth-work during local inspections.

Bills for Earth work: (a) In the case of works involving large quantities of each work. 'Key-plan' and the 'Project sheets' if any, should be consulted in order to have general idea of the work entrusted to the contractors.

(b) Earth-work will ordinarily be paid for, based on measurement by cross section of formation taken before the commencement and after the completion of the work. Contractors will have to sign ground cross section (both initially and finally) in token of the acceptance. It should be seen in audit that this requirement has been complied with.

(c) In the case of earth-work based on cross-section measurements of the bank or the cutting, the entries in the measurement books would show the area of the cross-section on different suitable chainages, the length of the bank or cutting between the consecutive cross sections and the quantity for each length of the bank/cutting. In addition to checking the bills with the measurement books which has necessarily to be done, the entries in the measurement books themselves should be checked with reference to the level books/the banks cutting recorded in the level book by the officer in charge (AEN). The area of the cross sections recorded in the level book should also be test checked.

(d) Where the bank is made up partly from cutting spoils and partly from the borrow pits, the chainages of the bank to be formed in each type is pre-determined by the Engineer's representative. In such cases, it should be seen that the cutting spoils have been used to the best advantage of the Railway.

(e) In case of banks formed from cutting spoils, lead is reckoned from the center of gravity of the cutting marks to the center of gravity of the embankment marks by using a mass diagram. In respect of bank formed from borrow pits, the lead is determined with reference to the borrow pit plans. The entries for lead shown in the measurement books should be checked with reference to these records.

(f) **Classification and reclassification of soils:** During the inspections of engineering office, the Assistant Audit Officer and Branch Officer in charge should specifically watch for cases where reclassifications have been ordered either by the officers who originally gave classification or by higher officers. Such cases, with all the fact and figures that could be collected for further examination, should be reported to the Principal Director of Audit.

Soil classification register maintained in the engineering offices should be reviewed by the inspecting officers for this purpose.

#### **10.6 Check of contractor's Bills**

(a) **Final Bills:** During the check of Final bills selected for audit, all the connected on account bills working up to the final bills should be checked completely.

(b) **On account bills:** These bills are checked monthly as a separate item. The on-account bills so checked need not be rechecked at the time of audit of final bills.

(c) In addition, one or two on-account bills in respect of each of the big works in progress costing over Rs.50 lakhs should be checked independently. All such works contracts costing over Rs.50 lakhs which are in progress should be listed and one or two on account bills in respect of each work selected for check during the year. The check should be in addition to the audit of all paid vouchers including on account bills passed during the month selected for audit in the course of review of major works. The extent and scope of the check already prescribed for final bills should be adopted in respect of these on account bills.

#### **10.7 Inspection of construction offices and review of major works**

Detailed instructions contained in Chapter on Inspection Section should be followed for preparation of the annual inspection programme and for the conduct of local inspection of construction offices, including review of Major works

#### **10.8 Works registers**

As materials purchased for construction project do not pass through 'Stores' suspense account but are directly charged to the works, the responsibility for ensuring receipt of materials against all payments and vice versa rests with the executive engineers. It should, therefore, be seen during the review of works registers that the columns 'Advance payment for supply of materials' and 'value of materials received in advance of payment to contractor' are properly



maintained in the work registers and the balance under these columns is regularly reconciled with those in the subsidiary register maintained for the respective suspense heads.

## CHAPTER 11

### BOOKS & BUDGET INCLUDING APPROPRIATION AUDIT

**11.1** For detailed instructions see Chapters XIX and XX of the RAM. This section is responsible for the audit of General Books and Accounts of North Central Railway including audit of Capital and Revenue Accounts, Finance Accounts, Debt Head Report, Appropriation Accounts and other connected statements. The work done in the Divisions, Construction units, Workshop and Stores and Traffic Accounts offices in this respect has to be audited by the corresponding audit sections/divisions of this office.

**11.2** **Duties**

The duties of the Books & Budget Section in the headquarters are as follows:

- a. Audit of General Books and Accounts and other items as per the programme of Audit in the secret Memorandum of Instructions.
- b. Audit of the Appropriation Accounts(Civil and Railway Grants)
- c. Audit of the consolidated Capital and Revenue Accounts, Finance Accounts and Debt Head Report.
- d. Issue of the Audit certificates on the March Accounts, Appropriation Accounts, Capital and Revenue Accounts, Finance Accounts & Debt Head Report.

The Books and Budget section in the divisional/branch offices are also responsible for the audit of the items mentioned above in so far as the portion pertaining to their units is concerned.

The details of the work done in the Section are given below.

**11.3** **Sanctions**

All sanctions having financial effect accorded by the President, Railway Board and also those conveyed by the General Manager relating to Books, Budget and Appropriation matters will be audited by this Section with reference to Schedule of powers and canons of financial propriety. Sanctions dealt with in Books and Budget Section generally relate to distribution of funds as approved and advised by RB to various units and reappropriations made (Vide para 361-FI). While auditing sanctions relating to distribution of funds to various departments it should *inter-alia* be seen that total amount distributed does not exceed the amount sanctioned by RB for the Railway as a whole. While auditing sanctions relating to reappropriations, instructions contained in Paras 375 to 381 FI as well as those communicated through Railway Board's budget orders on re-appropriation should be borne in mind.

**11.4** **Check of Journal Vouchers including scrutiny of adjustment memo**

Detailed instructions laid down in Para 387 of RAM may be seen. Besides, whenever, amounts are adjusted between Capital and Revenue by operating the heads "Transfers Revenue" and "Transfers Capital" the Capital journal vouchers should be linked with the corresponding Revenue journal vouchers and vice versa. In auditing the journal vouchers relating to Transfer Transactions, Remittance Transactions, normally dealt with by Books Section, it should also be seen that:

(a) The debits raised against Government Departments have been accepted by the departments concerned and

(b) In case of transfer transactions with other Railways, necessary transfer certificates are accompanying the journal vouchers and that supporting vouchers have been duly accepted and allocated to correct heads of account. Selection of vouchers for audit is taken from Capital and Revenue Index Register.

**11.5** **Tracing the postings from journal Vouchers into journals**

- 11.5.1** The particulars of Journal Vouchers selected for audit in a month should be advised by individual auditing section including traffic, workshops and stores audit section to the Books and Budget (Headquarters) audit section where General Books are not being maintained by the respective Accounts offices.
- 11.5.2** The Capital and Revenue Journal Vouchers prepared should be got selected to the extent prescribed and traced into Capital and Revenue journals by Books and Budget Headquarters/Audit Section. If number of journal vouchers selected for audit does not come up to the number of journal vouchers selected for tracing into journal, subsidiary selection should be obtained by Books and Budget Headquarters Audit section to make up deficiency and get these journal vouchers also audited by concerned sections. Similarly, Books & Budget Audit Sections attached to Divisions *etc.* should trace JVs into journals maintained by respective accounting units.
- 11.6** **Check of Monthly Accounts with Schedules and Journals(Capital & Revenue)**
- 11.6.1** Reconciliation of Accounts Registers with General Books. (See Sr.No. IV (20) of appendix to Report of the Committee on Railway Audit norms and para 372 of the RAM and Chapter III of AI). Detailed procedure for compiling and reconciling accounts has been laid down in paras 303 to 331 AI which may be referred to.
- 11.6.2** General Books of the Railway, i.e. General Cash Books (305-AI), General Cash Abstract Books (306-AI), Journal (307-AI) and Ledger (310-AI) do not record transactions by sub-detailed heads of accounts. In order, to have the detailed classification of transactions as appearing in General Books, separate subsidiary records are maintained.(of para 311-AI)
- 11.6.3** These are Register of Works, Register of Capital, DRF, DF and OLW Revenue, Revenue Allocation Registers, Register of Earnings, and Suspense Registers. The different Suspense Registers maintained are Demands Payable Register, Miscellaneous Advance Register, P-Loans & Advances Register, Deposits Unpaid Wages Register and Deposits Miscellaneous Register (AI-314).
- 11.6.4** Check of Journals Capital and Revenue: Postings in the journals should be test checked by tracing the postings from journal vouchers to the prescribed extent. Totals in the journals under debits and credits under each detailed head should then be checked and traced in the summary at the end.
- 11.6.5** Check of ledgers, Capital and Revenue: The ledgers should be checked to see that the grand totals in the journals have been correctly posted in them and that the closing entries have been correctly made. The opening balances of the month in the ledgers should be verified with the closing balance of the previous month.
- 11.6.6** As regards consolidated Account Current sent to RB monthly, a register is maintained separately for Capital and Revenue Accounts Current by headquarters Books Section of Accounts Office for consolidating details received from several units. Postings in the register should be first checked with reference to Accounts Current received from various units. Correctness of totals should then be checked. Thereafter, consolidated ledgers and Accounts Current should be checked with reference to this register.
- 11.6.7** The copies of consolidated Accounts Current relating to entire Railway for the month of March are sent to this office by Pr.FA before despatch to Railway Board for verification. After verification thereof the audited account current is returned to Accounts Office, and one copy forwarding to DAI (Rlys.) by retaining one copy each of the Accounts Current for record. Check of monthly Accounts Current should be taken up separately and completed by the due date. Selection for this item is taken from the Capital and Revenue Account Current.
- 11.7** **Pay orders for payment of unpaid wages**

- 11.7.1** Refer para 386 of RAM.  
A list of pay orders both for unpaid wages and other payments is to be prepared from CO 6 register maintained in Books Section of Accounts Office and selection taken from this list. While auditing these pay orders relating to unpaid wages, it should be seen that necessary credits existed as revealed by the Register(Statements) of unpaid wages and that such payments are promptly noted in the Register(statements) and duly attested by a Gazetted Officer or Senior Accountant to avoid risk of double payment.
- 11.7.2** Pay orders relating to other categories should be checked in accordance with para 288 RAM. The relevant rules contained in Accounts Code Vol.I (para 316,1959,1960) should be seen. Selection is taken from CO 6 Registers of unpaid wages and other than unpaid wages.
- 11.8** **Budget Grant Register and Reappropriation Statements**
- 11.8.1** Refer Paras 396 to 400 of RAM.  
A register is maintained in the Accounts Office (Budget Section) in which the Budget allotments of the Railway under different grants and heads of accounts are noted. All reappropriations made from time to time during the year are noted in this Register and revised grant is arrived at. The register should be reviewed, monthly, to see that entries therein are complete and in order with reference to sanctions of budget grants and Reappropriation received in the section.
- 11.8.2** (HQ) Audit section may also keep a manuscript Books to record notes of all orders of appropriation and Reappropriation (para 397 RAM). Re-appropriation statements are received in the form of statements of comparison of expenditure with budget grant each month for works and Revenue Working Expenses Grants separately. These statements are audited to see:
- a) The amounts of allotments of the year have been correctly taken.
  - b) The reappropriations are within General Manager's powers of sanction as intimated in the budget order and as per his/her powers under para 365-368 -FI
  - c) The distribution of the supplementary grants has been made in accordance with the purposes for which they were asked for. The Reappropriation has been made not later than 31st March.
- 11.8.3** Propriety and frequency of reappropriations should also be examined. It should be seen whether the orders of re-appropriation were passed as soon as necessity arose and was foreseen or they were left to be sanctioned towards the close of the year. Frequent re-appropriations point to defective budgeting. While faulty, unnecessary or insufficient re-appropriations point to an inadequate watch over expenditure by controlling authorities. It should be seen if this inadequate watch is due to defect in procedure in the Accounts or Administrative office or to any other cause.
- 11.9** **Check of Inter-dominion transactions**
- 11.9.1** Auditing sections are required to pre-audit inward and outward schedules with reference to connected vouchers relating to inter-dominion transactions with Pakistan Government before communicating acceptance and submission to RB of these schedules by Railway Administration.
- 11.9.2** As a token of acceptance of transaction, the schedules (before their submission to Railway Board) should bear audit certificate duly countersigned by concerned Sr.AuO. (PDA Northern Railway watches progress of above settlement accounts with Pakistan Government in Board's office).
- 11.9.3** Books section is responsible for check of consolidated advice of outward schedule sent to Railway Board. In regard to inward schedules where checks are conducted by Auditing Sections Books Section has to verify that items intimated to RB after acceptance have actually been pre-checked in audit.
- 11.9.4** Books Section has to review Suspense Register account with Pakistan Government

Railways quarterly with a view to seeing that same has been correctly posted and clearance of outstanding ensured.

**11.10 Registers of (i) Irregularities (ii) Serious irregularities (iii) Losses and (iv) Registers of Overpayments foregone. (Paras 853 & 861-AI I & Para 477 & 414 of RAM)**

These registers maintained in Accounts Offices should be reviewed by Books & Budget Audit Section at Headquarters and in Branch Offices. While reviewing the registers, relevant files of Accounts Office should also be reviewed to see whether (i) the case could be considered for a comment in the Audit Report (ii) action taken by Administration is adequate and (iii) Safeguards exist to avoid recurrence of such irregularities. Results of review should be recorded in Selection Register and submitted to BO.

**11.11 Review of Register of Major and Minor Deviations**

The register maintained in Accounts Office should be reviewed and a report sent to Expenditure Audit (HQrs.) section annually so as to reach that section by 10th of April indicating major and minor deviations noticed by Accounts office as well as by Audit.

**11.12 Reconciliation of unpaid wages with General Books**

While conducting half yearly review in audit, instructions contained in Chapter III A-I should be borne in mind.

**11.13 General Cash Books**

Refer Sr. No. IV (13) of Chapter 3 & 4 of Appendix to Report of the committee on Railway Audit Norms.

This is a yearly item of audit. Instructions given in para 367 of RAM and provisions of Para 304-AI of Railway Accounts Code should be followed while checking detailed accounts of the month selected.

**Audit of General Cash Abstract Books:** This should be checked along with General Cash Books. Grand totals of these two sets of cash Books should be compared. Detailed totals given at the foot in cash journal slips for crediting and debiting head of account `cash' and posted at the foot of the journal of the month. General instructions regarding maintenance of general cash abstract Books are given in para 306 AI.

**11.14 Cashier's Cash Books**

(a) Refer Sr. No. IV (14) of Chapter 3 & 4 of Appendix to Report of the committee on Railway Audit Norms.

This is a yearly item of audit. Para 368 of RAM and para 1946 -AI should be referred to while checking the accounts. In addition to check of Cashier's Cash Books, Cash Books of some of the pay clerks may also be checked at the discretion of PDA. It should be seen that amounts received and disbursed have been properly accounted for with reference to Cashier's Cash Books and paid vouchers. Where money has been transferred from one pay Clerk to another, entries in cash Books of both pay clerks should be reconciled. Instructions contained in Para 1954 and 1955 of the Accounts Code Vol.I may also be seen.

(b) **Pay Masters Cash Books**

(Including Pay Clerks) Instructions contained in Chapter XIX of AI may be seen.

**11.15 Verification of Cash Balance**

Instructions contained in para 369 of RAM should be followed in conducting verification of Cash Balances. A review in regard to handling of cash at various stages so as to enable personal responsibilities being fixed in the event of loss or embezzlement may be done with reference to instructions contained in Para 370-RAM and orders issued by Railway Board.

**11.16 Review of Miscellaneous Advances and Deposit Miscellaneous Registers**

Refer Paras 610 & 321 AI.

In reviewing the registers, it should be seen whether the instructions contained in Accounts Code Vol. I are being observed. The outstanding at the end of the month of account selected for audit should be traced back to the month of origin in addition to general review. The instructions contained in para 363 of RAM should also be borne in mind.

**11.17 Review of Demands Payable registers**

Refer Para 611 AI.

It should be seen that the balances as per the register are reconciled monthly with those appearing in the General Books. While reviewing the register, instructions contained in para 220,315, and 611 AI should be borne in mind.

**11.18 Adjustments with other Government departments**

**11.18.1 Outward and Inward accounts to and from other Accounts offices-Para 371 of RAM:**

Registers of advices issued and received by Pr. FA (Forms A.418 and A.420 & 429-430 AI) should be reviewed every year to see that there has been no undue delay on the part of railway in effecting adjustments and that entire balance under Reserve Bank suspense is cleared by end of each financial year. Such of the items as cannot be checked in detail by Accountant General (Central/civil) should be audited in detail. Instructions contained in Chapter IV AI may also be borne in mind.

**11.18.2** Reconciliation of amounts Booked under 'Reserve Bank Deposits' Remittance into Bank's and Cheques and Bills: A general review of reconciliation of amounts Booked under 'Reserve Bank Deposit' 'Remittance into Banks' and 'Cheques & Bills' should be conducted yearly with reference to provision in paras 437(a) and (b) of Accounts Code. Reconciliation for one month selected, should be checked in detail, with the figures advised by Reserve Bank.

**11.18.3** Review of items outstanding under Suspense Heads "Accounts with State" etc. A general review of balances under these suspense heads should be conducted yearly to see if there are any old outstanding and that balances have been reconciled monthly with those shown in ledger and that necessary action is being taken for their early clearance.

**11.19 Transfer Transactions within the same Railway and transfers between Railways**

A general review of those transfer transactions should be conducted yearly. The provisions of paras 404-AI and the instructions given in para 373 of RAM should be followed in conducting the review.

**11.20 Recovery of Guarantees from state Governments and District Boards**

The instructions contained in para 376 of RAM may be seen.

**11.21 Debt Head Report**

**11.21.1** (See paras 748-753 of A-I and Para 383 RAM) Debt Head Report is compiled by Accounts Officers attached to Divisions, Constructions and Workshops etc. in respect of Debt Heads operated by them and sent to Headquarters Books Section of Pr.FA's Office, simultaneously endorsing a copy thereof to concerned Sr. AuOs for verification. Respective audit section will verify the reports with reference to previous years' audited statements and Ledgers maintained in Accounts offices and forward their remarks to them.

**11.21.2** In auditing Debt Head Report received, it should be seen whether general instructions issued by RB for compilation of the report have been compiled with.

- 11.21.3** A copy of the audited debt head report together with comments which could not be settled at the unit level will be forwarded by auditing sections to Books and Budget (HQ) Audit Section. Based on Debt Head Reports received from various Accounts Officers, Headquarters Books Section of Principal Financial Adviser's Office will prepare a consolidated Debt Head Report for entire railway and forward the same to RB and Books & Budget Headquarters Audit Section. The later will check the report bearing in mind the observations made by other auditing sections. Books & Budget Audit Section will return audited copy of Debt Head Report to Pr.FA incorporating audit certificate prescribed in para 8 of RAM. A copy of the audited debt Head Report should be sent to Comptroller & Auditor General by due date.
- 11.21.4** After finalisation of the Debt Head Report a statement showing details of misclassifications noticed should be drawn up in the following form by Sr.AuOs concerned and sent to Books & Budget (Headquarters) section duly accepted by their Accounts counterparts.

Sl. No	Brief particulars of misclassification	Heads of account (credited/ Debited)	Correct head of A/C which should have been credited or debited	Amt. Rs.	Remarks
1	2	3	4	5	6

- 11.21.5** Based on the reports received from Units and those irregularities noticed while verifying consolidated Debt Head Report, Books & Budget HQrs Audit Section will compile the statement of misclassifications and forward it to Pr.FA for his/her acceptance.
- 11.21.6** When there are misclassifications, the audit certificate on Debt Head Reports should be qualified. It should be noted that unlike Annexure 'J' Statement of misclassifications and other mistakes, appended to Appropriation Accounts, statement of misclassification affecting Debt Heads has to be prepared by Audit and remarks of Pr.FA thereon obtained, as it is part of audit observations on Debt Head Report (CAG's letter. No.720-RAJMER/1/6/56 dated 25.5.60).
- 11.21.7** An advance copy of the statement of misclassifications prepared by Audit and forwarded to Financial adviser and Chief Accounts Officer for acceptance should be sent along with audited copy of Debt head Report to Comptroller & Auditor General of India.

## **11.22 Capital and Revenue Accounts**

- 11.22.1** Refer Sr. No. VI (4) of Chapter 3 & 4 of Appendix to Report of the committee on Railway Audit Norms and Para 374 RAM & Chapter VII-AI. Auditing sections will verify information furnished by Accounts Officers at Headquarters and divisions for compilation Capital and Revenue Accounts and intimate results thereof to Books and Budget (Headquarters) Audit Section. Financial Adviser and Chief Accounts Officer will compile Capital and Revenue Accounts of the Railway and forward them to RB furnishing simultaneously copies thereof to Books & Budget section. Instructions contained in para 374 of RAM should be borne in mind while checking these statements. Irregularities noticed should be pointed out to Pr.FA for rectification.
- 11.22.2** The following points should be borne in mind in checking the statements:
- The nomenclature of the main and sub-heads showing in these statements is that prescribed in Appendix IV A-I.
  - The figure of outlay for the year under each of the minor heads under Development Fund and Open Line Works (Revenue) agree with the net

figures appearing against concerned items in relevant schedules sent with Revenue Account Current for March of the year. It should be ensured that differences, if any, due to rectification through Capital and Revenue Accounts in terms of para 807 AI, are explained suitably through foot notes in the statements.

- c. It should be seen that even though the figures of Credits in respect of Development Fund (i & ii) are shown separately in the schedule to the Account Current, they are not shown as a separate item in the Statement No.XX.(Such credits should be merged with the expenditure relating to the main and sub-heads, under the minor heads)
- d. At times, certain items of expenditure Booked under Development Fund and Open Line Works (Revenue) do not fall under any of the minor sub-heads under various minor heads of account. In such cases, the amount should be included under such sub-heads in which they could be merged based on description of items given by units and suitable footnotes given in the schedule concerned.

**11.22.3** After finalisation of the points raised by audit, Pr.FA will arrange to get the accounts printed and furnish printed copies of Capital & Revenue Accounts to audit. Advance copies of capital & revenue Accounts together (with Audit certificate prescribed in para 8 of RAM) should invariably be sent to CAG as soon as their audit is completed. When a printed copy of the accounts is received, it should also be sent to Comptroller & Auditor General of India(CAG's letter no;2611-RAJMER/4-II/61 dated 19.7.61)

**11.23 Finance Accounts**

Refer Sr. No. VI (2) of Chapter 3 & 4 of Appendix to Report of the committee on Railway Audit Norms and Para 380 RAM) These are received from the Accounts Office, prepared according to provisions of paras 730 to 746 AI. These accounts should be checked in detail from the Capital & Revenue Accounts for March for the year concerned and the Finance Accounts of the previous year for purposes of check of cumulative figures to end of the year shown in the various schedules. Instructions contained in CAG's letter No.2621-RA/II/4-ii/61 dated 19.7.61 are also applicable to the check of Finance Accounts. After the check is over audit certificate (vide para 747 AI) should be recorded on Schedule E and an audited copy should be sent to Comptroller & Auditor General of India.

**11.24 Control over Expenditure**

Refer para 415-417 RAM.

When the audit of Appropriation Accounts and Annexure is over, a report on the system of control over expenditure should be prepared and sent to the concerned Accounts Officer for acceptance bringing out important cases of defective control over expenditure non-observance/deviation from existing rules/orders, defective preparation of financial reviews and defective maintenance of Accounts registers and any special features or important events which had material repercussions on the budget and re-appropriations for the year. Based on the reports received from unit offices, the Books and Budget section of Headquarters should prepare a consolidated report on control over expenditure and after acceptance thereof by Pr.FA, a report should be sent to DAI (Rlys).

**11.25 Statement showing transfers without financial adjustments**

**11.25.1** The Unit Accounts Officers will compile this statement and send to Pr.FA furnishing copies thereof simultaneously to respective Sr. AuO for verification, Sr. AuOs, after verification of the statement, will advise results to (HQ) Appropriation Audit Section. (HQ) Appropriation Audit Section will audit the statement compiled



by Pr.FA for entire Railway based on advices received from unit Audit Offices. Copies of audited statement will be furnished to C&AG of India. In checking this statement, it should be seen that in respect of Inter-Railway adjustments, acceptance of Foreign Railways to inclusion of amounts per contra in the statements relating to them have been obtained and kept on record.

**11.25.2** Items of adjustments affected within the railway (Intra-Railway) should be verified with reference to audited details received from various units and authority for such adjustments. It should also be seen that in respect of adjustments relating to Loans and advances by Central Government and Indian Railway Deposits details of amounts pertaining to each of minor heads/classified heads there under are furnished separately and not in one lump.

**11.25.3** While forwarding audited copies of statements, copies of correspondence between RB and the Railway Administration in support of adjustments referred to in the statements should be sent. {CAG(R) letter No.2719-RAJMER(L)i-7/62 dated 29.8.62}. Copies of general orders issued by Railway Board applicable to all railways and forwarded through the C&AG (Railways) need not however be sent.

**11.26 Statement showing calculation of Dividend payable to General Revenues**

**11.26.1** Figures shown against items 'Total Capital at Charge' and 'Capital outlay incurred on new lines' to end of previous year under Deduct entry will be checked with those appearing in audited copy of statement for previous year. Outlay on New Lines which have been opened for traffic should not be taken into account till the end of fifth year of their opening of traffic. The amount of transfers without financial adjustments during the year should be verified with reference to audited statement sent to Comptroller & Auditor General of India. The figures of over capitalisation should be verified with those advised by RB in their letter No.F(x)/III-61 CGI dated 30.10.63 and accepted by CAG. The correctness of net capital at charge to end of previous year should then be verified. The figures of capital outlay incurred from 1.4.64 to end of previous year should be verified with audited new constructions and Capital outlay on New Lines (Appearing under deduct entry) should be verified with reference to the schedules appended to the Capital Account Current for March of the year. Thereafter the correctness of the figures of the net capital outlay incurred during the year (and half thereof) will be verified. It should be seen that the rate of interest advised by RB for calculation of dividend payable on the element of overcapitalisation has been correctly adopted. In terms of Railway Board's letter No.91-ACI/6/2 dated 28.4.94, in respect of the capital invested on new lines (excluding 28 lines taken up on or after 1.4.1955 on other financial considerations), dividend payable is to be calculated at the average borrowing rate for each year but deferred during the period of construction and the first five years after opening of the lines for traffic. The deferred liability is to be paid out of the surpluses of the lines after payment of current dividend. The amount of unliquidated deferred dividend liability on new lines is to be closed after a period of 20 years from the date of their opening, extinguishing any liability not liquidated within that period.

**11.26.2** The outlay during the current year should be verified with reference to the schedules to the March Capital Account Current. The deduct entries for the items (i) Residential Buildings(ii) outlay on New Lines other than those taken up on other than financial considerations and (iii) Outlay on P&T line wires are verified with reference to audited statement of previous year as also the compiled data for the current year. Thereafter the net capital outlay incurred during the year (and half thereof) will be verified.

**11.26.3** According to Railway Convention Committee 1991, accepted by the Government, the rate of dividend payable to General Revenues is 7% on the entire capital

invested on Railways from general revenues irrespective of the year of investment. A concessional dividend of 3.5% is payable on the capital cost of residential buildings.(RB 's letter No. 94 ACI 6.2 93-94 dated 28.04.1994).

**11.26.4** The correctness of the amount of deferred dividend repayable in respect of any new line which has completed the moratorium period should be verified with reference to the statement of deferred Dividend described in the following paragraph. The total amount of dividend for the year proposed to be paid will then be verified. A report on new services not contemplated in the budget including expenditure on individual survey works etc. is required to be sent to ADAI (Railways) by 31st August each year. Detailed guidelines to treat a work/case as a new service not contemplated in the budget have been given in OM No.F7(IS)3(RA)/82 dated 13.4.82.(CAG's No.846-RAJMERI/RR/81 of 21.8.82).

**11.27 Statement of Deferred Dividend**

**11.27.1** This will be prepared according to instructions contained in Railway Board's letter No.57-AC/i/7 dated 8.5.1957, an extract of which is given below:

“In terms of para 19 of the report of Railway Convention Committee 1954, dividend on capital-at-charge on new line should be computed at a lesser rate viz. average borrowing rate charged to Commercial Departments. Dividend so calculated for the period of Construction of the lines and upto end of fifth year of their opening for traffic, is to be deferred during that period. From the sixth year onwards, current dividend will be paid. In addition the deferred dividend is to be paid on the net income if these lines leave a surplus after payment of current dividend. A statement showing Capital Outlay in respect of each new line and deferred dividend etc. should be submitted as an enclosure to the statement.”

According to Railway Convention Committee Report 1980 and 1985, and accepted by the Government, in respect of the capital invested on new lines excluding the notified lines, taken up on or after 1.4.1955 on other than financial considerations the dividend payable is to be calculated at the average borrowing rate for each year but deferred during the period of construction and the first five years after opening of lines for traffic. The deferred liability is to be paid out of the future surplus of the lines after payment of current dividend. The account of unliquidated deferred dividend liability on new lines is to be closed after a period of 20 years from the date of their opening, extinguishing any liability not liquidated within that period.”

**11.27.2** The deferred dividend statement which is prepared along with the dividend statement should be checked on the lines mentioned above. The statement showing the capital outlay in respect of each new line and deferred dividend etc. should be submitted as an enclosure to the Dividend Statement.

**11.28 Statement of Subsidy from General Revenues**

Statement of subsidy to be claimed from General Revenues is prepared along with the dividend statement. Capital invested in the following case qualifies for subsidy from the General Revenues to the extent of the dividend calculated at the rates specified for them.

- a. Strategic lines
- b. New lines taken up on or after 1.4.55 on other than financial considerations.
- c. Unremunerative Branch Lines
- d. Ferries and Welfare buildings
- e. 50% of the capital invested on all works in the current year and in the two previous years excluding capital invested in strategic lines.

This statement is also sent as an enclosure to dividend statement.

**11.29 Contingency Fund Exhibition of transactions in the combined Finance & Revenue Accounts**

Books section at HQrs. of Pr.FA's office will compile the statement in the form

prescribed and forward it to RB furnishing copies thereof to Audit for verification. Books (HQ) Audit Section will verify the statement with reference to audited copy of the statement for previous year, sanctions received from RB showing the amounts allotted from Contingency Fund of India during the year, Account Current for March and the registers maintained in Accounts office. It should be seen that suitable foot note in regard to advance taken from Contingency Fund of India and recouped to fund during the same year is given in the fund accounts in terms of Railway Board's letter No.72-AC/I/7/4 dated 6/73. Result of verification will be intimated to Pr.FA. A copy of the audited statement will be sent to the CAG(R). (Railway Board's letter No.55ACi./7/5 dt.17.3.56, 55ACI/7/5 dated 27-5-56, ACi/7/4dated 16/8.61 and CAG's letter No. RAJMER/T4-2/55 dated Nil)

**11.30 New Services not contemplated in the Budget**

**11.30.1** .Refer para 265 of RAM.

In order that cases of New Service/New Instrument of Service could be avoided as far as possible, CAG has decided that where AG has a doubt as to whether a particular sanction to expenditure attracts the provisions of New Service/New Instrument of Service, he should immediately (prior to authorisation of payment) take up the matter demi-officially with the Secretary /Joint Secretary of the Administrative Ministry concerned with a copy to the Joint Secretary to the Ministry of Finance(Budget) for reconsideration. Copy of the reference made by the AG should also be endorsed to the CAG along with a brief history of the case. The underlying intention is that if the administrative Ministry/Ministry of Finance does not agree with the views of the AG the matter can be discussed by them with the CAG office to resolve the difference of opinion quickly without unduly delaying the expenditure. If it is finally held that the case attracts the provisions of New Services/New Instruments of Service, action could be initiated by the Departments for obtaining supplementary grant or an advance from the Contingency fund of India. This procedure is applicable only to cases of expenditure sanctioned by the Central Government. (CAG's letter No.1912-REP/274.65 dated 24.9.68 received under ADAI's letter No.4626-RR/6-1/68 dated 28.10.68)

**11.30.2** A report on new services not contemplated in the budget including expenditure on individual survey works etc. is required to be sent to ADAI (Rlys.) by 31st August each year. Detailed guidelines to treat a work/case as a new service not contemplated in the budget have been given in OM No. F7 (15)B 9RA)/82 dated 13.4.82. (CAG's No.846-RAJMERI/RR/81 of 21.8.82)

**11.30.3** On the Railway side, `authorizations' to executive officers to incur expenditure on works are issued by competent authorities and copies of such `authorizations' are endorsed to the respective PDA. On receipt of such `authorisation' the concerned auditing sections, may, in addition to the works contained in the Works, Machinery and rolling Stock Programme of the Railway for the year, review such works as desired in CAG's letter mentioned above to see if expenditure thereon does not attract the provision of New Service/New Instrument of Service and take up the matter with the Administration, if necessary, with the least possible delay. (CAG(R)'s letter No.704-RR/6-1/68 dated nil and CAG's letter No.751-RAJMERI-RR/6-2/81 dated 26.7.82(AUB/II-37/5914 dated 4.8.82).

**11.31 Clearance of inefficient balances under Suspense Heads**

The progress made in the clearance of inefficient balances under suspense Heads Misc. Advance Revenue, Misc. Advance Capital, Purchases and Sales should be watched, if position warrants, a comment on the statement of outstanding balances under suspense (Part II detailed Appropriation Accounts) should be considered for Chapter I of the Railway Audit Report (CAG(R)'s letter No.493-RAI/12-8/66 dated

23.2.67, No. 3637-RAI/12-8/66 dated 15.10.71 and No. 566-RAI/13-8/66 dated 17.2.73).

**11.32 Review of Paper Securities**

The custody of paper securities given by the Contractors etc. has been decentralised. Accordingly sections/divisions have to review the paper securities held in custody by the Accounts Officer (Books) annually. While checking this item, instructions contained in chapter XVIII of the Accounts Code Vol.I may be borne in mind.

**11.33 Material for Central Government Finance Accounts**

As per instructions contained in Para 728 AI a statement showing summary of working expenses inter alia by revenue abstracts is required to be incorporated in the Annual Capital and revenue Accounts for submission to Railway Board. The amount of working expenses by revenue abstracts is also required for incorporation in the Central governments finance Accounts with effect from 1967-68 and as such a statement showing the amount separately under each revenue abstract is prepared in the proforma as prescribed in the Railway Board's letter No.67-ACI/9/2 dated 24.7.68 and submitted to the RB by 31st August each year. Two copies of the statement will be sent to the PDA for scrutiny. These statements are to be scrutinised by the Books Audit Section and the audited copy of the statement is to be sent to CAG by the 15th September each year. (CAG's letter No.3079-RAI/23/18/57 dated (12.8.68)

**11.34 Audit Certificate in respect of accounts for the year ending with the March accounts**

Refer para 388 of RAM.

After the check of accounts for March each year auditing Sections/Divisions should send to Books section Headquarters by first week of September audit certificate as prescribed in Para 8 of RAM, regarding correctness of the accounts prepared by the Administration etc. along with the two lists (i) list A showing items in arrears affecting accuracy of accounts and (ii) list B showing items in arrears but not affecting March accounts. The Books HQ section will send consolidated audit certificate to CAG (Rlys) by 30th of September based on the certificates received from Sections/Divisions.

**11.35 Exhibition in accounts of expenditure between Consolidated Fund of India and the Public Accounts regarding expenditure from various reserves**

Schedule of Revenue expenditure, monthly Revenue accounts in the form prescribed by RB is to be checked by Prayagraj/Jhansi and Agra divisions & Construction Prayagraj, Jhansi and Agra and expenditure HQ section and advice of verification to be sent to Books/HQ section. This check is to be exercised in respect of the accounts for March only and advice of verification remarks to be furnished after closure of March Accounts along with the advice of check of Capital and Revenue Account current for March. The Books/HQ section will take further action based on the advice from the divisions/sections as per extant orders.

**11.36 Check of Recoveries and Payments relating to Railway employees Group Insurance Scheme**

Based on the advance schedule showing total recoveries and payments during the month furnished by various Divisions/ Workshops/other units, the FA&CAO (Books) should arrange payment of the net amount to the PAO. Ministry of Finance (Department of Expenditure). Divisional Audit Officers should send the consolidated figures to Books Section by 15<sup>th</sup> April every year. The Books Section will check the final payment made to the Ministry of Finance duly agreeing the corresponding amounts in the General Books.

**11.37 Consent Audit and Audit of statutory and Autonomous Bodies undertaken by**

### **the Indian Audit and Accounts Department**

Consent Audit: A list furnishing certain particulars in respect of Consent Audit performed by the IA&AD is to be furnished to the CAG of India before the end of March every year. (Authority CAG's endorsement No.A8-17-52 of 13.8.1953).

1. Separate lists containing audits undertaken under section 14, 19 and 20 of CAG's (DPC) Act 1971 are to be sent to CAG by end of April each year by Coordination section. For this purpose, sections/divisions should send their returns by the 1st week of April each year. Necessary entry in Calendar of Returns should be made. (CAG's letter No. 801-TAI/47-74 dt. 23.9.74 and Au/COR/Con/19 dated 4.12.74; CAG's letter No. 3137-49/RAI/8-3/74 dated 6.12.74)
2. Exact scope of lists of Audits to be included in these reports to CAG has been explained in CAG's letter No. 3049-Admn1/460-58 of 8-58 received under CAG(R)'s endorsement No. 2509-RAI/A-8-13/58 of 13.12.1958.

### **11.38 Guarantee given by the Central Government (Statement of share Capital debentures and loans to Branch line Companies)**

This office has to furnish to C&AG of India particulars regarding Guarantees given by Central Government under Article 292 of constitution in respect of Loans raised by Private parties etc. for preparation of a consolidated draft para for inclusion in Central Civil Audit Report.

1. This report has to be got verified by FA&CAO in respect of each financial year and to be sent to CAG latest by 31st August of each year. (CAG(R)'s letter No. RAJMER/4-4 of 10.7.57)
2. AG has further directed that in such cases of guarantee given by Central Government, agreements executed with principal debtor as well as Deeds of guarantee executed with creditor are to be scrutinised in audit. (CAG's Secret letter No. 184-TAI/226/61 (ii) of 19.1.1965)

### **11.39 Review of expenditure from the Secret service Fund**

(1) Responsibility of Audit in the matter of audit of expenditure from Secret Fund is given in Para 7(viii) of the RAM. A gist of instructions which have to be borne in mind while verifying/scrutinising the certificate is given below:

- a. Railway Board's letter No. 59/Sec/156/1 dated 2.2.60 states that while amounts are to be drawn in a lump sum, unspent balance should be credited and taken in reduction of expenditure before close of the financial year.
- b. The Railway Board's letter No. 60 Security/157/4 dated 10.8.60 prescribes the format of the Certificate in which it is to be furnished by Railway Administration to Railway Board.
- c. According to item 37(4) of Annexure A in the Appendix 8 of the General Financial Rules, Vol.II the certificate is to be furnished by the nominated officer.
- d. Ministry of Finance letter No.F 2(121) B/54 dated 1.6.56 and Railway Board's letter No.911 Security-65/6 dated 24.1.58 received under CAG's endorsement No.5178-RR/10-1-67 dated 23.12.67 state that prior approval of CAG when any reappropriation would increase the provision for Secret Service expenditure by 25 percent or more, should be taken.

(2). Railway Board's letter No.61/Sec/156/3 dated 23.7.63 states that the funds are to be drawn on proper occasions instead of being withdrawn in one lumpsum at the commencement of the year.As per Railway Board's letter No.67/Sec/Spl./156 dated 4.10.67, separate provision for Secret Service Funds is to be made under Demand No.12 Security K.115 (Spl.Expenses).

### **11.40 Review of Civil Audit Reports**

HQ Appropriation Audit Section receives various Audit Reports other than

Railway Audit Reports, Finance Accounts and Appropriation Accounts. These Audit Reports should be reviewed by Gazetted Officers in HQrs.office and important interesting cases having bearing on Railway working may be circulated to all BOs and AAuOs of this office. The Audit Reports will finally be kept in the custody of HQ Appropriation Audit Section.

**11.41 Appropriation Audit of Appropriation Accounts**

**11.41.1** Refer Chapter IV of financial Code Vol.I and Chapter XX Appendix 5 of RAM.

The Appropriation, Accounts, annexures and connected statements are prepared by Pr.FA soon after the accounts for March are closed. As and when they are prepared and submitted to the Railway Board, two copies are sent to this office for audit and transmission of one copy to CAG. These should be audited as expeditiously as possible in this office adhering to the programme fixed by RB and C&AG of India. A monthly report showing progress in check and submission of appropriation accounts should be sent to CAG from October onwards. It should be seen while auditing that accounts have been prepared in proper form (chapter IV of F-I) and that rules on the subject and also orders issued by RB and CAG from time to time have been followed. Detailed instructions in regard to check of appropriation accounts are given in Chapter XX Appendix IV of the RAM.

**11.41.2** Figures in Appropriation Accounts should be carefully checked. Amounts of original grants should be checked from the Books of demands for Grants and Budget register. Amount of Final grant should be checked from General Manager's reappropriation statements and Budget Grant Register which have already been checked. Actual expenditure should be checked with reference to Works and Revenue allocation registers, capital and revenue Accounts, Pink Books Register and Schedules accompanying March Accounts Current.

**11.41.3** Explanations are given in accounts for large variations between original grant and final grant and between final grant and actual expenditure. Explanations for variations between original grant and final grant are given only if overall difference between total original grant and final grant is in excess of limits laid down in Chapter IV FI, causes of variations including compensating variations being explained for the grant as a whole at the end of the appropriation Account of that grant.

**11.41.4** The correctness of these explanations should be verified after a close study of the accounts office file relating to preparation of Budget and Revised estimates and other Review files containing explanations offered by Departmental Officers. Instructions contained in Chapter XX of the RAM should be followed in scrutinising these explanations. Cases of misclassification, defective budgeting, irregular reappropriation, coming to notice during audit should be pointed out to Pr.FA for inclusion of these items in relevant Annexures to Appropriation Accounts.

**11.41.5** Explanations for variation in respect of works costing below Rs. 50,000 etc. furnished by DRMS/DFMs and heads of Departments respectively to Pr.FA for preparation of Final appropriation Accounts/ Annexure should be obtained and scrutinised by Divisional Audit Offices and sections at HQrs and irregularity taken up with their counterparts in account. Final results of check should be intimated to Books HQrs. Section in time for taking suitable action at the time of the check of consolidated appropriation Accounts/Annexures.

**11.41.6** A final copy of the Appropriation Account as accepted by audit should be sent to C&AG of India with remarks if any. References received from CAG in connection with these accounts should be attended to promptly. After submission of all final copies of Appropriation Accounts to CAG, audit certificate prescribed in para 8 of RAM should be furnished.

#### **11.42 Appropriation Audit of Appropriation Accounts of Civil Grants**

Refer Para 421 RAM.

Appropriation accounts of following Civil grants received from Railway Administration are also to be checked in this office.

1. Interest on debt and other obligations and reduction or avoidance of debt/charges
  - a. State Provident fund
  - b. General Provident Fund
  - c. State Railway Provident institution
    1. Contributory
    2. Non-contributory
  - d. Other deposit Account/Railway staff benefit fund
2. Pre-partition payment
3. Loans and advances by Central government
  - (I). P.Loans and Advances
    - (1) Interest bearing advance
    - (2) Loans to Railwaymen's Consumers' Co-operative Society
  - (II) Loans to Government servants
    - (1) Advance for purchase of other conveyance-cycle advance
    - (2) Other advances
  - (3) Advance for purchase of table fan to Class IV staff
    - (4) Advance for the purchase of warm clothing.
4. Advances not bearing interest
  - Passage advances
  - Other advances
  - Flood, Cyclone, Drought-relief advances
5. House Building Advance

Civil grants should be self-contained i.e. items of Defects in Budgeting, Misclassification etc. should be indicated in the Grant itself. In addition comments as well as statement of misclassification, if any, should be sent along with the grant to C&AG of India. Audit Certificate on these grants should be sent to C&AG of India soon after scrutiny of these accounts each year.

#### **11.43 Appropriation Audit-Appropriation Accounts of Railway Grants**

Instructions contained in Chapter IV of F I and Chapter VII of A I may be kept in view while auditing these accounts. The programme for preparation of appropriation accounts is advised by RB every year. It should be seen that the time schedule fixed is complied with. Audited statements should be sent to CAG's office within the time limit fixed.

#### **11.44 Review of Performance Budgeting**

In terms of directives contained in CAG(R)'s office DO letter No. 904-135-RAJMERI/23-18/81 dated 21.8.81, a quarterly performance review in respect of the various grants of the railway prepared by the divisions, workshops etc. and submitted to HODs as per para 3 of the Railway Board's letter No. 80-B-273 dated 5-5-80 is required to be conducted by the Sr.DAuOs, Sr.AuOs(W&S) and Sr.AuO(HQ) with a view to bring out reports of the cases/instances of defective budgeting, defects in procedure, failures of systems etc. and advise the same to Books (HQrs) section. Likewise, the consolidated reports submitted by the Pr.FA to RB will be reviewed in the Books (HQrs audit) section for making out comments on Railway's Budgeting system for an overall report to CAG(R)'s office.(Authority: AUB/I-1/80-81 dated 14.9.81 file AUB/I/1/Performance Review)





## CHAPTER 12

### WORKSHOP AUDIT

#### 12.1 Scope of Audit

##### 12.1.1 Workshop Audit sections is situated at Jhansi.

The following Workshops fall under their jurisdiction.

Workshop Workshops.

Audit Sections

1. Jhansi
  - a. Wagon repair Workshop.
  - b. Mid life Rehabilitation of Coaches (MLR).
2. Sithouli
  - a. Rail Spring Karkhana Sithouli, Gwalior.

1. The above mentioned Workshop Audit Sections are responsible for the following:

- (a) Audit of expenditure incurred by the Mechanical & Electrical Departments (so far as workshop is concerned) for the procurement of Rolling Stock, plant and machinery.
- (b) Audit of establishment charges and PF accounts of the staff of Mechanical and Stores Departments attached to Workshops and which are dealt with in the Establishment branch of Workshop Accounts offices.
- (c) Local periodical inspections of workshops and Stores Depots etc.
- (d) Inspection of the office of CWM at Jhansi & Sithouli and MLR/JHS.
- (e) Audit of Dead Stock Account, Passes and PTOs, Imprest Cash Account, Stamp and Stationery account of Workshop Accounts Offices.
- (f) Audit of items of works falling under Central Audit programme relating to Workshops such as audit of establishment charges, Provident Fund Accounts, audit of General and Subsidiary Books maintained by the Workshop Accounts Office is carried out in accordance with the instructions applicable to Central Audit. The provisions contained in Chapter XVIII paras 332 to 365 of the RAM should be borne in mind.

##### 12.1.2 Special provisions relating to certain workshop audit items

The sanctions accorded by the President, RB, GM and by authorities subordinate to the GM and Completion Reports relating to Workshop matters should be checked by AAuO in addition to 2 days work prescribed in Sr. Nos. I & III of chapter 6 of Appendix to report of the committee of Railway Audit Norms.

#### 12.2 Audit of Sanctions

Sanctions dealt with in the Workshop Audit Section generally relate to additions and alterations to Rolling Stock, Plant and Machinery. Sanctions to the proposals of Sale/hire of rolling stock, subsidy to the canteens etc. are also dealt with in the Workshop Audit Sections. The instructions contained in Chapter on General Audit Procedure will apply mutatis mutandis to the audit of sanctions received in the workshop audit section. Special attention should be given while auditing the sanctions for premature condemnation of carriages and wagons. It should be seen that a statement showing the comparative study of the cost of replacement of the assets and the cost of the assets and the cost of reconditioning of the same is invariably submitted as laid down in paras 240 and 241-FI. Similarly while reviewing the sanctions for sale of goods and coaching stock it should be seen that the entries in respect of condemnation and replacement in the statement prepared by the Mechanical Department have been checked and certified by the Accounts

officers on the basis of history cards and other relevant records. The Sale Register maintained by the Workshop Accounts Officer should also be referred.

### **12.3 Audit of Estimates**

Refer para 332 of RAM. The extent of audit for estimates has been laid down at Sr. No. II of chapter 6 of Appendix to report of the committee of Railway Audit Norms. Selection of estimates for audit should be made from the register of estimates maintained in Accounts office. The estimates should be scrutinised in accordance with the provisions laid down in the revised Mechanical Code. In the course of audit of estimates for additional Rolling Stock of stock reduced from the authorised list should be referred to and if it is found that similar items of stock have been reduced from the Authorised list in the past, it should be seen that the cost of corresponding additional stock now provided has been allocated in such a manner that the debit to capital on account of such stock does not exceed the amount that would have been debited thereto, had the stock in question been considered in the first instance as replaced and not as reduced from the Authorised list. In the case of estimate for works for outsiders it should be seen that the acceptance of the parties has been obtained and on-cost has been correctly taken into account. Other estimates such as remodeling of stocks to suit traffic purposes and estimates for extensive repairs etc. should be scrutinised carefully.

### **12.4 Audit of Completion Reports**

Refer para 334 RAM.

Completion Reports should be audited to the extent prescribed against Sr. No. III of chapter 6 of appendix to Report of the committee of Railway Audit Norms 2003 in the Memorandum of Instructions. The correctness of apportionment of charges between Capital, DRF, Revenue etc. the adjustment of freight and other charges, the credits for the released materials and the credits for surplus stores on hand should be specifically verified. While auditing the completion reports for vehicles constructed for other Government Departments e.g. postal cars etc. it should be seen that the Capital Cost is correctly entered in the Register maintained for the purpose of calculating the half-yearly interest recoverable from the department concerned.

### **12.5 Stores Bills and Contractors Final Bills**

Refer Para 362 RAM.

Stores Bills for purchase of stores required by Mechanical and Electrical Workshops and dealt with in workshop accounts office are to be audited by workshop Audit Sections to the extent prescribed for audit of Stores Bills under Stores Audit programme. Contractors Final bills i.e. those relating to the specific jobs entrusted to the contractors should be checked as per item IV(15) of Central Audit programme. For the purpose of selection of contractors Stores Final Bills for audit in W&S audit section, on account bills in respect of purchase of steel and other raw materials for the manufacture of steel sleepers carriages, wagons etc. should be treated as final bills.

### **12.6 Audit of Incentive bonus Bills**

Refer paras 337 and 338 RAM.

(i). The entire workshop should be divided into suitable units and units selected each month to the extent prescribed. The unit may be so drawn as to contain a reasonable number of direct workers, indirect workers and supervisors. In addition a general review of records maintained in the incentive Branch of the Accounts Office should also be undertaken yearly to review the system allowed time, change in productivity due to the incentive scheme incidence of overtime in connection with increased incentive bonus payments etc.

(ii) Extent of Audit. The ticket numbers, name and amount of the workmen should be noted in the Selection Register. The following documents from which Bonus

Bills are prepared should, be audited to the extent possible.

**a. Gate Attendance Card.** This card shows the daily attendance of the workmen, labour paysheets as well as absentee statements are prepared from this card. Monthly wages are based on the attendance recorded on card by the punching machine and hence Gate Attendance card is treated as an important basis document and is required to be preserved for producing in the court of law at a later date if necessary.

**b. Job Card.** This card is issued as soon as the particular job has been undertaken under the scheme and these cards form the basic documents for computerisation of the Bonus. They contain full information about the job undertaken, quantity manufactured, quantity passed in inspection, standard time allowed, time taken and profit gained or loss suffered by the workmen in terms of hours and thereafter in terms of money.

(iii) The time allowed for number of article is printed on the card. Along with preparatory time for the whole work, the total time allowed should be checked by multiplying passed out-turn including material rejected in the foundry and defective casting in the machine shop with the time allowed for each plus preparatory time.

(iv) Time taken for the work should be checked on the basis of clock punching for in and out job cards as well as Gate Attendance Card (in respect of absence) and Idle time card (in respect of ideal time). This should also be reconciled with the reconciliation sheet prepared for individual worker to reconcile the time as per the job cards with the Gate Attendance Cards. Thus time saved/lost should be checked with reference to time allowed and time taken for the job. Rate for piece work should be checked with reference to the rate of pay as shown on the Gate Attendance Card and rate per hour prescribed by the Board from time to time.

(v) **Squad Summary Card.** This card is issued in the name of leading hand of the group nominated to complete the job jointly. Each worker belonging to the group possesses a job card for the squad work. Each worker in the squad shares the Profits/losses on completion of the job in preparation to the time spent on the job. Squad summary card is checked as job cards in addition to the apportionment of the profits.

(vi) **Idle Time Card.** Sometimes, due to certain reasons the work is held up for which workman on the job is not held responsible. Following are a few instances in which idle time is booked.

lack of material

lack of tool

lack of power

waiting for work.

(vii) No sooner the work is stopped on idle time account the idle time punched in and after the idle time is over it is punched off. Such of the idle time is not taken into account while arriving at the total time taken for that particular job and then total time taken is arrived at. The Chagemen and Mistry are held responsible for booking of idle time due to lack of material, lack of tools and waiting for work. While checking the above documents the following points should be borne in mind. Job cards and squad cards are adrema printed and any conversion thereon should bear rate fixers signature over his designation.

Time saved against each job/squad card should be restricted to 50% of the time taken as recorded for the same job/squad for each completed operation.

No bonus is payable to apprentices.

In the case of Foundries the operation care making and moulding are combined. It is to be seen that separate/single job/squad is issued only for one operation.

(viii) Idle time cards are properly initiated by the Production Engineer and foreman

in token of having satisfied that booking of such idle time was inevitable. Apportionment in respect of squad cards is made on the basis of time taken by the individual worker for the particulars job.

#### **12.7 Piece Work Bonus Bill**

Refer Para 337 of RAM.

The preparation of Bonus Bills has been computerised and the programme currently being run on the computer for the printing of incentive bills. These printed bills provide Ticket number, name, designation, total time saved/lost and amount of Bonus. The piece work statement and the summary of the piece work statements hitherto done manually is not being prepared now whereas all intermediate printouts showing the details of job cards relating to a particular ticket number, time allowed, time taken, time saved, total time allowed, total time taken, total time saved should be obtained and the job cards traced into the statements as far as Direct workers are concerned. As regards indirect workers, and supervisors who are entitled to 80% of the average percentage of bonus earned by the direct workers served by them the sectionwise performance statements prepared on the computer show the total time allowed, total time taken, actual time saved, actual percentage etc. and give the details of the jobs and the workers in the section. To verify, the time taken in each section on intermediary print out showing the ticketwise details of time saved in each section in respect of the unit selected should be obtained and checked with the job card statement and from there, the percentage of bonus payable to indirect workers verified.

#### **12.8 Bonus Bills for Mistries**

Mistries are eligible for 100% piece work profit basis of average percentage of net profit card by the direct workers supervised by them. The list of Mistries attached to each section of a shop and entitled to piece work profit is supplied by the Works Manager to the accounts Office. This list should be referred to while checking the bills for Mistries. Other checks laid down in regard to essential indirect workers will apply for the audit of bills of Mistries.

#### **12.9 Bonus Bills for Chargemen**

(a) Chargemen is eligible for 80% of the average percentage of the profit earned by the direct workers supervised by them. List of Charge men, as in the case of Mistries is also submitted by the Works Manager to the Accounts Office who is entitled for piece work profit.

(b) While checking the Bills of Mistries and Chargemen the following points should be seen

- i. That proper adjustment has been made for the idle time of Direct Workers for lack of work or tools as per scale laid down
- ii. That proper adjustment has been made in the Bills of Chargemen for bad castings due to defective supervision as per statement compiled by each section of the shop.
- iii. That the reconciliation of Gate Attendance Card has been carried out with job cards.
- iv. correctness of hourly rate should be checked

(c) The following reviews should be conducted annually.

- i. Cases of abnormal profits above 50% of the time taken or at the other hand losses and furnished by the Accounts Officer to Works Manager for investigation
- ii. Cases of rejects in foundries
- iii. Review of managerial Statements and other statements
- iv. Assessment of increase in production and comparison of cost as a result of introduction of Incentive Schemes

v. Reasons for frequent revision of allowed time

(d) A test check of the allowed time and revision made therein should be carried out in the Works Managers' office and reasons recorded. During inspections, comparative study of the Allowed Time for the similar job in other Railway workshop may be made and findings recorded. During shop inspections, working of time clocks, punching system by the workmen, custody of cards etc. should be checked and segregation of out turn of incentive workers from that of others is properly done. Idle time booking should be verified to see that it was inevitable.

#### **12.10 Booking of overtime**

The RB have imposed a ban on the booking of overtime in incentive Sections of the workshops. Even for non-incentive sections, booking of overtime is to be controlled to be minimum possible personally by the Works Manager. While auditing the incentive Bonus Bills it should be seen that no overtime is booked in Incentive Sections.

#### **12.11 Muster Rolls Gate Attendance Cards, Labour paysheets and Time sheets**

Refer Para 336 of RAM.

- (a) These should be audited to the extent prescribed in Sr. No. V (iii) of chapter 6 of Appendix to report of the committee of Railway Audit Norms. In Workshop, where time clocks are in use, gate attendance cards take the place of muster roll. From the gate attendance cards, labour paysheets showing the name, ticket number and other particulars of each workmen and deductions to be made are completed in respect of the number of hours worked, gross and net wages and overtime earned during the month.
- (b) The total hours shown in the gate attendance card in respect of each workman should agree with those shown in the time sheets which contain the particulars of work orders in which the workman was actually engaged. It should also be seen that all period leave with pay and paid holidays are correctly accounted for in the time sheets. Investigation into the differences in the amount of wages for each workman as drawn and as distributed among the work orders is not necessary. If the differences continue to be abnormal in any particular shop, it should be seen that complete investigation into the difference is undertaken by the Accounts office.
- (c) Gate Attendance Card should be examined with reference to gate passes, absentee statements, overtime requisitions, and time sheets, etc. Particulars of leave recorded in the gate attendance card should be verified with reference to the leave statement submitted to the Accounts office.
- (d) The following checks should be exercised by visiting the shops concerned.
- (e) The method of booking labour against various work orders should be correct and that initial records are correctly maintained.

There should be a proper system of recording labourers entering the shops and a list of absentees in the various shops is prepared daily from such record, a list of absentees is prepared by the foreman or other responsible official from an actual inspection of labour employed and that these two lists of absentees are tallied with each other.

The accuracy of the time sheets should be verified by actual counting of labour.

It is fundamental that such a procedure is laid down for the check of muster rolls and the payment of wages, that the responsibility of each individual can be definitely allocated after the event, that there are adequate counter checks, that the functions of preparing and checking the bills are allocated independently from the functions of dealing in cash and making payments and that the staff concerned are changed from time to time.

Payment of overtime is not admissible to staff who are getting incentive bonus.

Hence payment of overtime made in addition to incentive bonus should be investigated for audit comments.

Check of muster rolls/gate attendance cards with time sheets in respect of hours booked against each man.

Check of increment granted with increments rolls.

Comparison of gate passes with muster rolls to see that the time given in the gate passes has properly been deducted in muster rolls/gate attendance cards.

Provision of payment of wages Act-1936 and rules made there under are not infringed.

**12.12 Labour Paysheets**

As regards, the audit of Labour paysheets, the labour paysheets are to be checked during the inspection and tracing of PF deductions in the deduction list and PF ledgers of Accounts of Subscribers are to be checked to the extent prescribed of the employees included in the labour paysheets during Central Audit.

**12.13 Miscellaneous Advances and Deposit Miscellaneous Registers**

Refer para 363 of RAM.

Instructions for maintenance of these registers, their reconciliation with General Books and review of Suspense balances are contained in paragraphs 316-322-A, 610-A,614-A,615-A and 619-A. Besides instructions given in para 353 of RAM should be borne in mind while reviewing these registers.

**12.14 Workshop manufacturing Suspense Account**

(a) See Sr. No. X (i) of chapter 6 of Appendix to report of the committee of Railway Audit Norms and para 348-RAM and Chapters XIII and XIV-W may be referred to. All the transactions relating to the manufacture repair, works undertaken in the Railway Workshops are accounted for in the first instance through the Suspense head known as Workshop Manufacturing Suspense Accounts. The debit side of this Suspense head comprises of amount expended on wages paid to the workmen, cost of stores utilised and freight manufactured/repaired. The difference in the two viz.the balance, which is always a debit balance, shows the manufactured items awaiting acceptances, and also amount expended on works in progress.

(b) The balance under this Suspense head is reconciled with the General books and balance under Workshop General Register.

(c) The manufacture accounts should be checked in detail every month in rotation so as to affect a complete check of all the manufacturing accounts once in the course of each year. The tracing of vouchers (Receipts and Issues) into respective accounts may be limited to the percentage prescribed of the vouchers in each category (Sr. No. X of chapter 6 of Appendix to report of the committee of Railway Audit Norms.)

(d) The balance under the Workshop Manufacture Suspense Account should be reviewed to see:

that all the items are current and have been undertaken after the issue of proper work orders,

that the balance consists of nothing except labour, material and works on cost charges expended on unfinished jobs or completed jobs awaiting adjustment,

that there are no credit items,

that in the case of jobs undertaken for outsiders estimates are prepared taking into account percentage charges required under notes and deposits have been obtained wherever due,

that adjustment of overcharges and undercharges of on cost and manufactures are made periodically and

that all balances are efficient and current.

(e) The review of the balances under workshop manufacture Suspense Account

should be linked with the review of the Workshop General Register.

**12.15 Workshop General Register (Ledger)**

See para 355-RAM and Sr. No. IX (ii) of chapter 6 of Appendix to report of the committee of Railway Audit Norms. The Workshop General Registers prepared by the machine contains labour, stores and on-cost charges separately shopwise, allocationwise and total charges for each work order. The audit review is rendered difficult as the Workshop General Register is printed monthly by the machine computer (as against one consolidated document showing the progress in totals from month to month). It does not show the month of origin of booking and trend of booking of expenditure. As decided by the CAG, the accuracy of the compilation of the Workshop General Register should be checked at the time of check of out-turn statements and the review of Workshop General Register should be done along with the review of workshop manufacture Suspense balances. see paras 1620-W&1621-W) (CAG's letter no.2123-1621-RAI/8-71 dated 3.7.71)

**12.16 Electrical Manufacturing Account**

Refer Sr. No. IX (ii) of chapter 6 of Appendix to report of the committee of Railway Audit Norms.

The instructions contained in paras 339 and 340 of the RAM should be borne in mind while checking this Suspense Account.

**12.17 Classification of Labour**

This is audited annually to the extent prescribed. As per mechanised procedure labour subledgers as such are not maintained but information in respect of labour charges work order wise as well as shopwise are sorted out on the machine itself and incorporated in the Workshop General Register. The check of the statements prepared from time/tally sheets will only ensure the correct calculation of time spent under different work orders and will not ensure the correct valuation of the time spent (money value). As such an intermediary print out showing ticketwise details of labour tabulations indicating details of hours and amount leading to the total labour charges on a particular work order in a shop should be obtained specially for the month selected. The totals for the work orders shown in the print out should be traced into the labour tabulations. As an intermediary print out as indicated above is required to be obtained, selection of the month of audit should be advanced.

**12.18 Classification of Stores.(Stores sub-ledger)**

Refer No. IX (i) of chapter 6 of Appendix to report of the committee of Railway Audit Norms.

(a) This is audited annually to the extent prescribed, and the same month is selected as for the check of labour sub ledgers. However, consequent on the computerisation, Stores sub-ledgers are not maintained. The machine summaries of debits and credits showing the stores charges voucherwise and shopwise are received monthly in Accounts office and this takes the place of Stores sub-ledgers. The vouchers selected should be traced into the machine summarised.

(b) The stores vouchers received in Accounts office from the shops are compared with the duplicate copies received from the Stores Accounts office to ensure that the quantity of stores for which debit is raised has been correctly received and allocated and that all the vouchers have been taken into account. Separate monthly summaries showing debits and credits of stores charges for each shop are maintained which serve the purpose of shopwise stores sub-ledger.

(c) While auditing the sub-ledgers the following points should be seen:

The debits of the stores are correctly charged to the respective work-order.

The debits to work-orders from the manufacturing Account of process shop and sawmill accounts are summarised in separate sub-ledgers.

Pairing of issue notes with the priced copies is done.

(d) Miscellaneous charges referred to in workshop code are classified in a separate stores sub-ledger. It should be ensured that the totals of the various columns shown in the summary sub-ledger are checked with reference to the following:

Debits raised by other sections, divisions and foreign railways

Issue from workshop manufacturing accounts

Write back orders.

### **12.19 On-costs**

Refer Sr. No. IX (iii) & (iv) of chapter 6 of Appendix to report of the committee of Railway Audit Norms and para 336 –RAM.

(a) Apart from labour and stores, there is a certain type of expenditure which is common to more than one shop or common to all shops (such as electricity, water etc.) such items of expenditure are termed as General on-cost charges. Expenditure common to various jobs but pertaining to one particular shop has been termed as shop on cost. Shop and General on cost charges are collected under various standing on cost work orders. A share of these charges is added to the prime cost at a pre-determined percentage on direct labour. To facilitate to determine this percentage in advance, shop and general on-costs budgets are prepared before the start of the financial year on the basis of the figures of on-cost expenditure actually booked during the 12 months from January to December. The percentages are then worked out in relation to the total direct labour, separately for labour on-cost and stores on-cost taking into consideration the relevant factors on which on-cost budget is based.

(b) It should be checked that only such items have been taken into consideration that cannot be charged to any specific job or work. The actual expenditure taken into account for preparation of on-cost budgets such as labour charges of indirect labours etc. may be verified from the corresponding indirect labour paysheets. It should be seen that there is no abnormal fluctuation in the shop on-cost pertaining to a shop from year to year and if so, the reasons thereof may be reviewed and recorded.

(c) In general, the following points should be kept in mind while checking shop and general on cost charges.

That the percentages are regularly reviewed and reasons for major fluctuations investigated:

That items taken into consideration for preparation of on-cost budgets have been correctly taken in accordance with the code rulings viz. Indian Railway Code for Mechanical Department (workshop code) and no item is left.

That the wages of stores Khallasis engaged in handling, stacking and credits for packing cases returned to stores are taken under general charges.

Due effect of Gratuity to the workmen has been reflected on the General on-cost percentages.

The differences between actual total expenditure on account of shop or general on-cost and total of the amount distributed over the various work orders are adjusted periodically and heavy outstanding balance under this head is not allowed to remain for long.

### **12.20 Proforma on-cost**

Percentage charges on account of proforma on-cost leviable on capital works and on works executed for other Railways, other Government departments, railway employees and private bodies as laid down in chapter XIV. Proforma on-cost budget is prepared well in advance to levy the on-cost percentages. It should be seen that items for preparation of budget estimates as laid down in para 1551-W have been taken into consideration.

### **12.21 Distribution of On-cost charges**



(a) After all the sub-ledgers are posted in the Workshop General Register, the works on-cost charges, labour as well as material, in respect of each of the work order are calculated on the direct labour charges booked against each work order, at the percentage rates for labour and material in force for each shop and posted in the appropriate column of the Register. The total works on cost charged to various work orders at the percentage are booked as credits under the on-cost work orders. The difference between the debits and credits under the on cost orders is adjusted under the final head of account i.e. over and under charges on cost.

(b) The calculation made for the month in arriving at the amount of on cost to be added to the expenditure on each work order should be checked. The postings in the register maintained by the Accounts Office to collect the actual on cost charges and the adjustment of the over and undercharges on-cost to respective abstracts B & C should be checked annually.

## **12.22 Out-turn Statements**

Refer para 356-RAM.

(a) The out-turn statement is prepared in accordance with paras 1605-W to 1614-W and in form W-1605. The statement is prepared in two parts. Part I shows the expenditure booked by the completed work orders and part II shows expenditure on work orders in progress and also on those completed and awaiting adjustments. These two parts show total out turn to end of each month. Deposit works are to be shown in part I statement. The workshop out turn registers are reconciled with the figures in the General Books. The posting in the out turn statement of the charges for the month against each work order should be compared with the figures appearing in the check sheets.

(b) While auditing out turn statements it should be seen that the adjustment of the outlay is effected promptly by transfer of the amounts to divisions, other departments and other railways or by adjusting the amounts to the appropriate final head of account as the case may be. The figures shown in part II statement on account of amount awaiting adjustments should be audited to see that there are no credit entries, there is no outlay on jobs prior to issue of work order and that there are no completed jobs outstanding.

## **12.23 Workshop Account Current**

Refer para 357-RAM and Sr. No. IX (vi) of chapter 6 of Appendix to report of the committee of Railway Audit Norms.

(a) All transactions pertaining to workshop manufacturing of Suspense are consolidated in a statement known as Workshop Account Current prepared in form W-1616. This is prepared separately for each workshop. This account current which shows the opening balance, total debits, total credits during the month and closing balance under workshop manufacturing suspense, under the various heads of accounts.

(b) After compilation of the Workshop Account Current journal entries of all capital and revenue transactions affecting workshop manufacturing suspense account are prepared monthly for incorporation in the General Books.

## **12.24 Reconciliation of monthly account current of stores with sub-ledgers**

Refer Sr. No. IX (vii) of chapter 6 of Appendix to report of the committee of Railway Audit Norms & Paras 342-343 of RAM.

The total debit and credit to workshop manufacturing Suspense Account indicated in the Stores Account Current should be reconciled with the total of the respective sub ledgers. The reconciliation should be carried out according to the detailed instructions in paras 805,806,809, and 819-W. It should be seen that the pairing of

issue notes received from the shops with those with the daily summaries from the Stores Accounts office is being done.

**12.25 Transfer statements or Mema**

Refer Sr. No. IX (viii) of chapter 6 of Appendix to report of the committee of Railway Audit Norms and Para 359-RAM) Transfer statements/mema are prepared when the cost of Stores initially booked under a work order is transferred to another work order. Such adjustments are summarised in a Separate stores sub ledger vide para 823-W. Transfer statements should be scrutinised during the audit of out turn statements and Account Currents. The following points should be seen while scrutinising the transfer statements/mema:

That the explanation furnished for the transfer is reasonable.

That sanction of the competent authority has been obtained for the work to which the cost of stores is debited.

That the transfer statements/mema are signed by the Gazetted officer.

That the stores can really be used on the work to which it is transferred.

That the allocation is correct.

That debit and credit are correctly posted under the relevant work orders.

Note: The transfer statements of labour charges should be scrutinised in the same manner.

**12.26 Advice notes of Returned Stores**

Refer Sr. No. IX (ix) of chapter 6 of Appendix to report of the committee of Railway Audit Norms and Para 341-RAM & 1539 to 1548-S.

In addition, it should be seen that

Total value of returned stores as summarised in the credit stores sub-ledgers agrees with the monthly Abstract of Receipts received from the Stores Accounts office.

All DS8s have been accounted for in the month of issue except those relating to the last days of the month; and

The reasons for returning stores are convincing.

**12.27 Review of Major Works undertaken in Workshops**

Review of major works costing over Rs.50 lakhs should be undertaken by the workshop audit section. The schemes of increase in capacity of the workshops the manufacture of wagons, coaches, components for locomotives, cranes, permanent way materials costing over Rs.50 lakhs should be reviewed on the lines of review of major works. Such schemes should be reviewed taking into consideration the anticipated increase in the out-turn and the out-turn actually achieved.(CAG's letter no.647-590-RAI/8-11/73 dtd 5.3.74)

**12.28 Work Orders**

Refer Sr. No. XVI of chapter 6 of Appendix to report of the committee of Railway Audit Norms and Paras 344-345-RAM and Chapter X-W.

The work orders test checked during the course of the year should comprise work orders executed in each of the shops and not confined to those executed in particular shops only and should be of different categories viz. standing work orders, repair work orders, work orders for work done for other departments of the Railway, work done for private bodies or other government departments, work orders for big works etc.

The following points should be seen.

The work order is issued only after the estimate for the work has been sanctioned where necessary and funds have been provided to meet the cost and that the series of work orders issued for standing works or works of recurring nature are suitable.

Work orders are not closed before all charges properly debitible to a work have been booked against it and after a work order is completed and closed no expenditure are booked.

Under and overcharges in respect of completed work orders are adjusted to final heads of accounts without delay and such variations between the estimated and the actual cost of manufacture and adjusted in the accounts of the year in which the work orders are reported as completed to avoid misclassification of expenditure, see para 1045-W.

There is no credit outlay outstanding on work orders.

That in respect of work orders for private jobs no additions and alterations to work orders are made without the approval of the authority who sanctioned the original work order and that the on cost charges are correctly levied in accordance with para 1225-W. see para 1217-W.

Increase of milk tank wagons, the work of overhauling is undertaken after the receipt of sufficient Security Deposit.

**12.29 Recovery of interest charges**

(a) On the capital cost of the Postal Vans-Rules contained in relevant paras in the revised mechanical Code which govern the incidence of the cost of postal vehicles or parts of vehicles provided by the railway to the postal department. The postal departments has to pay interest on the capital cost of the complete vehicles or parts of vehicle, so long as they remain in the exclusive use of the postal department and have not been formally surrendered.

(b) The capital cost of postal vans for the purpose of recovery of interest will be the all incost as detailed in para 1224-W. The capital cost of the postal portion of the non-postal vehicles will be worked out in proportion to the floor area of the postal portion. The 'all in cost' of special fittings provided for the exclusive use of the Postal Department will be added to this.

(c) It should be seen that the Register of Bills and other records maintained in the Accounts office contain the up to date list of all postal vehicles with their capital cost. In case of doubt, the Register of Rolling Stock maintained by the Chief Mechanical Engineer should be referred to, to check the correctness of the list of postal vehicles appearing in the Workshop Accounts Officers records. It should be seen that the bills are correctly issued half yearly on the basis of capital cost meted in the records. (Correctness of the capital cost is verified during the check of completion report).

**12.30 Review of statistics of Periodical Overhaul**

Refer Sr. No. XX of chapter 6 of Appendix to report of the committee of Railway Audit Norms.

POH and cost of unit Repair. The unit cost statements are compiled by the Workshop Accounts Officer with reference to the expenditure booked against the standing work order for repairs of various categories of rolling stock and the monthly out turn statement of wagons & coaches (POH and other repairs) prepared by the Works Manager/Chief Mechanical Engineer. These should be reviewed on the lines indicated in para 364 RAM)

**12.31 Saw Mill Account**

Refer para 351-RAM and Chapter XIV-W.

1. Separate work orders are issued for booking the cost of each kind of timber. Charges which cannot be directly attributed to any particular kind of timber will be collected under a general work order. The general operating costs thus collected are distributed on the basis of the cubical contents of out turn of each kind of timber cut in each month.

2. The debit side of the manufacturing account comprises (i) cost of uncut wood at the end of previous month (ii) cost of uncut wood drawn during the month and (iii) cutting charges transferred from the operating account. It is credited with the cost of scantlings realised at rates fixed periodically by the Workshop Accounts office

and of off cuttings saw dust and uncut wood at the close of the month.

### **12.32 Foundry Account**

Refer Chapter XIII-W and para 352-RAM.

The cost of manufacture of spare parts and rolling stock components can be ascertained only if the costing of individual parts is commenced from the stage of rough castings and carried through to that of finished products. For this purpose detailed foundry accounts are maintained to ascertain the cost of rough castings. The procedure followed in the foundry is briefly indicated below.

1. Standing work order for metal and melting suspense work orders are operated for recording the expenditure on metal and melting. These charges will include (i) cost of metal (ii) cost of fuel including freight (iii) cost of limestone and other flux (iv) cost of repairing cupolas (v) cost of blast and repairs to the blast plant (vi) cost of repairs to ladle and cupola equipment (vii) cost of labour for charging the cupolas and for carriage of raw material (viii) cost of pitting metal into moulds.

2. Separate standing work orders are operated in the iron foundry and brass foundry for booking the above expenditure. The following Charges are allocated to Foundry shop on cost work orders.

Cost of repairing moulding boxes and tools

Cost of drying cores and moulds

Fuel for and repairs to core oven and appliances.

Cost of procuring and mixing moulding sands and binders.

Miscellaneous stores used generally in the Foundry shop.

Cost of defective products when it is not charged to individual jobs.

4. For certain class of castings which are extremely liable to defects, defective castings are allocated to the job instead of to on cost. Credits for non-ferrous borings arising out of machine operations of foundry items are afforded to the brass foundry and not the machine shop on cost.

5. Individual work orders are issued for all manufacturing work undertaken in the foundry. The labour charged for moulding and core making are charged to the individual job orders. The total charges recorded under standing work orders for the different metals are distributed over the various jobs undertaken on individual job orders in direct proportion to the weight of the metal booked against each job during the month.

6. A monthly statement of out turn showing the input and output is posted daily from the daily log and advices of returned Stores and submitted by the Works manager to the Accounts office. The out turn statement is checked in the Accounts office with reference to the issue vouchers accounted for therein and completed in respect of total cost of the melt for the month, which will be the total debit for the month. This amount is distributed among the work orders for which castings have been made during the month in proportion to the actual out turn. The foundry accounts should be checked on the lines indicated in para 352 of RAM.

### **12.33 Job Costing**

Refer Sr. No. XIX of chapter 6 of Appendix to report of the committee of Railway Audit Norms, XI W and para 347 -RAM.

The object of job costing is to

1. Compare the costs of similar articles manufactured from time to time in the workshops and finding out reasons for variation in costs to compare the cost of articles manufactured in the workshops with those manufactured on other railways or with the market price of similar articles. Job costing will also help in:

Checking employees to see that they yield full service.

Ensuring that waste is prevented or minimized.

Utilising the manufacturing cost figures ascertained as a guide for future

transactions and for the correct allocation of the expenditure incurred.

2. The essential feature of the job costing system is estimating in advance of the time that should be spent on materials that should be used and the systematic comparison of the results of actual performance with such estimates. The institution of any detailed system of costing is thus contingent upon the initial fixation by suitably trained technical staff of standards of time and of materials for the items of work to be undertaken and for the prompt comparison of the standards thus set with the actual results obtained.

3. In the case of items manufactured in the railway workshops, the maxima and minima stocks are fixed taking into consideration the length of time required by the workshops to deal with the requisition placed by the stores depots. Upon the depots stock of an item dropping to the level of the minimum, a requisition in form S1437 is prepared in triplicate (vide para 14375) one copy of which is sent to workshop production department. No articles may be manufactured in railway workshops for stock purposes without a requisition for such articles being placed by the Stores Department and approved by the Works Manager.

4. The manufacturing activity is suitably divided into different kinds of job orders e.g. manufacture of loco duplicate, manufacture of carriage and wagon duplicate, manufacture of miscellaneous fittings etc. and each kind of job orders is represented by a control work order. Separate sub-work orders, under each of the Control work orders, re issued by the Production Control (in the form of Route Cards) for each individual work to be done and no expenditure should be incurred by the shop until a sub-work order for the work concerned has been received.

5. The series of the control work orders are revised after every half year and all cases of sub-work orders remaining uncompleted for more than three months after the old series have been revised, will be listed by the Job costing section and reported to the Works Manager for taking special steps for their completion. Whenever it is decided to take up manufacture of an article, a process sheet is prepared by the planner. This is the basic record of manufacture of any article. The process sheet will indicate details of the operations required to manufacture the article in their sequence. Against each operation, the operation numbers the shop number and the section in which the operation is to be done and the code of the machine will be indicated. After check by the processing section, the process sheet is forwarded to the Rate Fixing Section.

6. The rate fixers fill in the necessary information regarding preparatory allowance and allowed time. The Adrema section embasses the Adrema plated from the process sheet for subsequent printing of factory forms. The process sheet is then filled in the Planning Office. Whenever any change in the process of manufacture is decided it is noted on the relevant process sheet indicating the authority and the reasons for the change.

7. The Production office of the workshop and the Accounts office will use the following forms for the implementation of the costing system.

Route Card. This is the authority for the Workshop to undertake any work of manufacture. The Route card is issued for each economic batch and bear all relevant particulars, When the article is finally finished and sent to the stores, the route card will be sent to the costing section through the process office.

Job cards/Squad Cards. These are the production documents embodying the particulars of different categories of labour booked to the particular works order. On completion of each operation these are sent to the costing section (through the incentive bonus section).

Processing time statements. This statement is used when a job taken up during the month is carried forward to the next month. This should be prepared for both jobs in

progress as well as jobs which are suspended.

Cost sheet. The cost sheet covers the whole field of record of productive activity. The entire process of a production order in the way of consumption of material and the charging of labour on cost are reflected in the cost sheet. The cost of each job is ascertained through the cost sheet which will be opened by the Production Control at the time of issuing production documents like route cards, material requisition etc. The monthly expenditure on labour, material and on cost and also the credit received from the Stores Department for the scrap and manufactured articles returned to stores department are posted for each month by each shop. As soon as the sub work order is completed and the completed route cards are received in the costing section. The total expenditure incurred from the commencement of the job to the completion will be totalled up and the unit cost of manufacture worked out. The unit rate should be approved by the Workshop Accounts Officer and posted in the relevant cost cards.

8. Cost of manufacture in respect of each of the workshop manufactured stock item should be worked out in the first instance and the rates thus determined, should be notified in replacement of the existing rates. After this, job costing of each workshop manufactured stock item should as a rule, be done only once a year subject to the exceptions specified below.

Cost of manufacture should be worked out on each and every occasion in respect of such of the workshop manufactured items as are extremely liable to defects.

Cost of manufacture should be worked out every time the method of manufacture is changed.

9. Material Requisition. This is used for drawing material from the Stores and after acknowledgement by the shop foreman is sent to the Stores. After posting the numerical ledger this is sent to the Accounts office.

10. Debit Transfer Sheets. In case any material drawn for a particular work order is transferred to another work order, a debit transfer sheet is prepared and sent to Accounts office for carrying out necessary adjustments.

11. Waster Sheet. This is used for accounting the rejected items due to defect in the raw material etc.

12. Returned Stores note. This is used for returning the manufactured materials to Stores.

13. Cost Card.(W-1141). This is used for recording the unit cost arrived at on repeated manufacture of the same material. The estimated cost with details of labour and material are also indicated on this card.

14. The cost sheets and the connected documents should be scrutinized to see that: Labour charges have been booked by the shops required to perform operations as mentioned in the route cards.

Material charges, wherever necessary have been booked by the shop processing the first operation. Adjustment for the off-cuts or scrap, wherever utilised has been made where required.

Labour and material charges have not been booked by shops not mentioned in the route cards.

The quantity passed by the Inspector in the final operation has been acknowledged by the Stores Depot by suitable endorsement on the route card and that necessary credit for the manufactured articles supplied to the Stores Department has been afforded by the Stores Accounts office.

There are no discrepancies between the number of articles actually completed and sent to stores and that for which charges have been booked on the sub-work order and that the weight of raw material obtained for the sub-work order is not out of proportion to the weight of the articles sent to stores.

Abnormal wastages are valued and credit afforded to the work order by debiting the on cost.

Abnormal rejections of more than 5% to the total number are to be maintained should be checked to the extent prescribed.

**12.34 Accounts Custody & Disposal of Scrap Material**

Refer para 326 -RAM.

Instructions contained in para 326-RAM should be borne in mind while auditing these accounts when scrap is disposed of by side by the Stores Departments directly from the workshops. The method of accountal and the arrangement for the removal of scrap by the purchasers should be specially examined.

**12.35 Recovery of Non-ferrous turnings/borings from shop floor**

In order to ensure that the railways do not suffer losses on account of short collection of borings and turnings detailed instructions have been issued by the RB for right ending up of arrangements for the collection of non-ferrous turnings and borings vide their letter no.69/M(w)964/103 dated 31.1.70. It has also been laid down that the headquarters office of each railway should obtain from all workshops a quarterly statement showing the percentage of recovery of non-ferrous borings/turnings. In cases where recovery is low, the matter is required to be promptly investigated by the Railway Administration. It should be seen that the detailed instructions laid down by the RB are followed for the recovery and disposal of non-ferrous turnings and borings. These items should be scrutinised yearly during inspection of shops.

**12.36 Records of Rolling Stock**

Refer para 361-RAM and Sr. No. XIV of chapter 6 of Appendix to report of the committee of Railway Audit Norms.

The rolling stock registers are maintained in the Chief Mechanical Engineers' office. This gives the full history of each item of Rolling stocks viz. locomotives, carriages & wagons. These records should be audited in the light of instructions given in para 361 of RAM. It should be seen that the records of rolling stock furnish all the details required for the preparation of the various statements mentioned in Chapter XV-W. The records should be checked to see that they are up to date and show all additions and condemnations and the results of the latest census of the stock.

2. It should be seen that all sanctions of the RB and the GM for condemnations, additions and replacements of rolling stock are duly posted in the records of Rolling Stock. Additions and deletions of goods stock should also be checked with the entries in the Monthly Statement of additions and alternations of Goods Stock submitted to the RB.

3. The list of stock reduced from the Authorised list and list of Duplicate stock maintained by the Chief Mechanical Engineer and reviewed by the Workshop Accounts Office should be reviewed quarterly by this office. It should be seen that reductions sanctioned during the year have been entered therein and the estimates for the necessary adjustment of their original cost sanctioned and the actual adjustment made in the accounts of the year, and that such stocks which are not proposed to be cut up in the same year are included in the list of Duplicate Stocks. In the course of review of the latter, it should be seen that necessary adjustments are actually carried out when stocks are broken up.

**12.37 Local inspection of Shops**

Refer Sr.No. XVII of chapter 6 of Appendix to report of the committee of Railway Audit Norms and Para 444 and 445of RAM.

As per recommendations of the committee on the Railway Audit Norms:-

1. Comprehensive inspections covering each of the activities can be carried out. Such inspection will include the check of records of the concerned executive offices, the connected shops, Accounts Office and the Stores records, etc. as a block and only one inspection report per line of activity should be issued. The inspection will cover only the non-personnel portion. All the allied major shops will be covered on an annual basis and two or three allied minor shops will also be selected annually.

While submitting the programme the name of each of the shops with brief description of the nature of work done, whether the shop is proposed to be classified as major or minor on the basis of the above instructions should be furnished while framing the inspection programme. The programme of inspection should be got approved by the PDA.

2. In the audit of inspection of workshop, power stations and sub stations the instructions given in para 444 and 445 of RAM should be borne in mind.

**12.38 Audit of Establishment charges and Provident Fund accounts of Workshop Staff**

The rules for the maintenance of PF accounts as laid down in Chapter IX of RI and instructions contained in Chapter XV on Establishment and Provident fund Audit of RAM should be referred to while conducting the audit of these charges and accounts.

**12.39 Utility of Statistics in Audit**

For the purpose of review in audit and during inspections, the study of statistics reflected in the statistical returns prepared in workshops may be found useful. The auditing staff and Inspecting parties should, therefore, keep themselves abreast of the information compiled from time to time in the Accounts/Executive offices of Workshops for audit/review purposes.



## CHAPTER 13

### STORES AUDIT

#### 13.1 Scope of Audit

The audit of Stores accounts maintained by the Stores Depots and Stores Accounts offices is conducted by the Store Audit sections as per their jurisdiction as mentioned below against each :-

Audit unit	Accounts Officer	Jurisdiction
Stores Audit section, HQrs	Pr.FA, Prayagraj	Stores Deptt, HQrs,
Workshop &Stores Audit section, Jhansi	Dy.FA&CAO, (workshop & stores), Jhansi and Sr.AFA/STLI	1. General store Depot, Jhansi 2. Store Depot AC shed, Jhansi 3. Store depot diesel shed, Agra 4. Store Depot (PL Engg.) 5. Store Depot diesel shed, Agra 6. Store Depot (Narrow Gauge), Gwalior 7. Store Depot RSK/STLI
Sr.Audit Officer, Kanpur area, Kanpur	Sr. AFA/CNB	8. General store Depot, Kanpur 9. Store Depot ETD/TMS, Kanpur

The Stores Audit section, HQrs is liable to circulate the copies of the Railway Board's contracts, orders, policy circulars, relevant indents of Railway Administration to all the concerned Audit units

#### 13.2 Audit of Stores Accounts

The audit of stores accounts is objected to ascertain that the departmental regulations governing purchase, receipts, custody, issue, condemnation, sale and stock taking of stores laid down by the Railway Board in the Codes and in the booklet "Rules for entering into supply contracts" issued by the Stores Department are observed correctly. The principles enunciated in Chapter 7, Section III of the Manual of Standing Orders (Audit) and instructions contained in Chapter XVII of the RAM on Stores Audit are generally to be borne in mind while conducting the audit of stores accounts. The Stores audit sections are responsible for the audit of items falling under the head "Stores Audit" in the appendix to chapter 5 on Railway Audit Norms (March 2003).

#### 13.3 Stores Purchase Bills

Refer Paras 307 & 308 of RAM.

These include purchases made within the country directly by Controller of Stores and through the Director General of Supplies and Disposals, New Delhi.

##### 13.3.1

In respect of purchases made directly by the Controller of Stores, selections should be obtained from C.O.6 registers maintained in Accounts Office. The bills should be checked to see:

- i) That the rates, quantity, terms of delivery and due date of supply agree with the purchase orders and the accepted tenders;
- ii) that the allocation of charge is correct;
- iii) that the arithmetical calculations are correct;
- iv) that the receipt of stores has been duly acknowledged;
- v) that due precautions have been taken to guard against the passing of a second

claim for the same stores;

vi) that the items of stores required to be purchased through the agency of the Ministry of Works, Housing and the Supply in accordance with the provisions contained in the Stores code and the latest instructions of the Railway Board, are not purchased direct without the sanction of competent authority;

vii) that extra expenditure on risk purchases and liquidated damages have been realised in the case of delay in supplying stores (time preference orders would require special attention in this matter); and

viii) that postings in the Purchase Account Register and the Transaction Registers have been correctly made.

Note: The particulars of such of the bills pertaining to stores depots coming within the purview of other auditing units will be advised to the concerned Branch Offices for tracing them into the relevant documents. The audit of stores bills pertaining to “specific works” should be done by the concerned Divisions/Construction units.

**13.3.2** As regards purchases made through the Director General of Supplies and Disposals for which payments are made by the Pay and Accounts Officers, selections should be obtained from the concerned statement of bills. It should be seen that proper sanction exists for the purchase, that the allocation of charge is correct and that the material has been correctly accounted for. In cases where final payments (10%, 5% and 2% etc.) are made by the Pay and Accounts Officers, without consignee’s receipt certificates, it should be ensured that adequate and prompt action has been taken to get the consignee’s receipt and to settle the discrepancies or deficiencies mentioned in the Receipt Certificate.

#### **13.4 Port and customs charges**

For imported consignments, these charges are paid by the clearing Railways viz. Central, Southern and Eastern. The audit check to be conducted on this Railway is to see that vouchers in support of the debit towards port charges and customs duty pertain to this Railway and that they are correctly allocated. This check will be conducted at the time of check of Journal Vouchers.

#### **13.5 Receipt Returns:**

The vouchers of receipt of materials broadly classified into the following five categories are selected and audited in the manner shown against each :-

Category	Points to be seen
Returned Stores	<ul style="list-style-type: none"><li>• the rate and allocation is correct. The formula adopted for valuation of second hand/unserviceable class III rails should be reviewed periodically. it should be seen that the returned stores are properly accounted for;</li><li>• Cases in which the valuation of Returned stores by the Returning department differ materially from that of the Stores Department should be investigated to see how the difference was reconciled and what the reasons for the differences were;</li></ul>
Workshop outturn	<ul style="list-style-type: none"><li>• The Priced issue notes &amp; accountal where the manufactured articles are issued at a fixed rate, it should be seen that the difference between the actual cost of manufacture and the amount debited through the issue notes is adjusted periodically.</li></ul>
Purchases	<ul style="list-style-type: none"><li>• Contract/supply orders &amp; bills should be checked in</li></ul>

- (Imported & Indigenous) detail & postings into the Transaction Register. The monthly journal vouchers in respect of the payment made abroad should be checked to see that the adjustments in the accounts had been correctly made.
- Inter Depot Transfers • The vouchers of Depot Transfer Receipts should be checked to see that issues and receipts are paired and that appropriate action is taken to watch the acknowledgement of outstanding items.
- Misc.(Other ) receipts Same as above.

### 13.6 Delivery Notes

The 'Delivery Notes' broadly classified into the following five categories are selected and audited in the manner shown against each :-

Category	Points to be seen
Issues to Departments (Revenue and Capital)	<ul style="list-style-type: none"> <li>• that all issues are correctly extracted from the issue vouchers, into the statement;</li> <li>• that the postings are correctly made into the Transaction Registers;</li> <li>• that the total of monthly reports of issues for the month agrees with the General Books figures;</li> <li>• that the issue rates are correct;</li> <li>• that the allocation is not prima facie incorrect.</li> </ul>
Issues to Sales;	<ul style="list-style-type: none"> <li>• the purchase money is paid within the free time if the sales are made to outsiders. Interest should be recovered for payments exceeding free time.</li> <li>• the percentage charges prescribed in the code have been correctly levied;</li> <li>• only surplus or condemned articles are sold to Railway employees;</li> <li>• there is no tendency to issue frequently, ordinary articles which can be purchased easily by the employees in the market.</li> </ul>
Issues to Inter-Depot Transfers	<ul style="list-style-type: none"> <li>• see that the issues and receipts are paired and that sufficient action is taken to watch the acknowledgement of outstanding items.</li> </ul>
Issues to Workshops	<ul style="list-style-type: none"> <li>• the issue vouchers should be compared with the requisition to see that supplies are not made in excess of the quantity required and that the prices charged are correct.</li> </ul>
Other Delivery Notes	Same as above

After scrutiny of the issue vouchers of the categories mentioned above, the issue vouchers should be traced into Transaction summary. The monthly reconciliation of receipts, issues and partially of balances in the General books with records known as "Transaction Registers" should be checked to see that the total credits to stores as per General Books is correct.

### 13.7 Priced Ledger/Transaction Register

The priced ledgers (Transaction Registers) comprise P.L.No. of material, Quantity, rate, Issue/RR No., opening balance, closing balance, quantity-wise and value wise etc. of each transaction of stores. All items of stock are also listed out once in a quarter.

In the audit of Transactions Registers, the vouchers are directly traceable in the Register. The receipts and issue vouchers selected for audit should be traced in the transaction register and relevant computerised statements. The reconciliation with the general books of the Railway should be reviewed. As regards managerial statement, action taken by the Administration may be reviewed in audit to ensure that full advantage is taken of the managerial reports and exception statements. The detailed instructions contained in Para 317 of RAM should be borne in mind during the review of the Priced Ledgers/Transaction Registers.

### **13.8 Yearly Statement of Stores Transactions**

Refer to para 3001-S.

Instructions for checking in para 314 of RAM should be borne in mind while checking the statement. It should also be seen:-

- i) whether the statement has been prepared in prescribed form.
- ii) whether the balances of the statement are correct, effective and efficient.

The Railway Admn has not unnecessarily reduced the balance by resorting (a) writing down of values without sufficient cause, (b) charging of stores to other works on which they are not required for use immediately, (c) whether the material physically transported to which the material shown as transferred. (d) keeping the account of receipt of stores at the fag end of year.

### **13.9 Stores Account current**

Refer para 309 of RAM.

The procedure for check is besides comparing the opening balance with the closing balance of the previous month, to agree the figures in the monthly Account current with those shown in the relevant computer prepared tabulations. It should be seen that the closing balance is correctly worked out and reconciled with the balances in General Books as well as with the class ledger balances. Debits and credits during the months should be similarly checked and also with journal vouchers.

### **13.10 Sales Abstracts**

Refer Para 320 - RAM.

While auditing the Sales Abstracts, it should be seen that (i) each sale has been sanctioned by the competent authority (ii) the purchase money is paid in advance of the sale if the sale is made to outsiders and (iii) that the percentage charged prescribed in the code have been correctly levied. It should also be seen that only surplus or condemned articles are sold to Railway employees and there is no tendency to issue frequently ordinary articles which can be purchased easily by the employees in the market. It should be seen that the sale has been made under the sanction of the competent authority

The procedure with regard to sales, whether of surplus stores or of other classes of stock must be reviewed periodically. In all important cases, the papers of the Controller of Stores relating to the invitation of public offers, auction, etc. may be gone into and any defects in the procedure brought to notice.

### **13.11 Suspense Registers**

Refer para 310 of RAM & Chapter VI of Accounts code.

All the important, irregular items & old outstanding and the reasons thereof should be examined.

(i) Purchase Account Register (Para 2809-S): Debit balances representing advance payment prior to the receipt of stores should be restricted to cases, where payments are to be arranged on proof of despatch for commodities like steel, wheels, sleeper etc. Such cases should be scrutinised to see that the payments are

covered by (i) sanction of the competent authority; and (ii) references to Railway Receipts, etc. furnished in the Register. Balances under this head should be analysed age-wise and it should be seen that proper and prompt action is being taken to ensure their speedy clearance. Accrual of large outstandings should be brought to the notice of Pr. FA .

(ii) Sales Register: It should be seen that the sales have been made under competent authority, that the proper percentage charges have been added to the book value and that there are no credit items. Balances under this head should be reviewed as in the case of purchase Register.

(iii) Deposit Miscellaneous and Miscellaneous Advance Register:- It should be seen that proper action is being taken to expedite the clearance of outstanding items and that no item which could prima facie be debited or credited to a final head is allowed to stand over in the books, a tendency to do which sometimes manifests itself during the closing months of the year in order to avoid excess over allotments.

In all these cases (Suspense Registers) it should be seen that a systematic reconciliation is made with the General Books.

### **13.12 Stock Verification Reports**

Refer para 327 of RAM, Chapter XXXII & XXXIII of Stores code, paras 1856,1875,1269,1442,2526,831,832,1702 of A-I).

It should be ensured that-

- (i) the programme & arrangement of verification of stock covers all the items of stores whether lying in stores or with consuming deptt.
- (ii) the action taken to dispose of excess/shortage pointed out in the Stock verification reports.
- (iii) the loss of stores has been adequately investigated.

Any unreasonable delay in disposal of stocks should be brought to the notice to the Accounts Officer.

### **13.13 Auction Sale Account**

Refer Para 328 of RAM & para 2412 to 2447 & 2733 to 2737 of Stores code)

While auditing the Auction Sale Account following points should be seen:-

- (i) that the auction has been personally supervised by the responsible officer of stores department;
- (ii) that an accounts representative was also present at the time of auction;
- (iii) that the accepted bids have been written by the concerned officer and a certificate has been recorded by him is taken as his personal supervision;
- (iv) that the list of stores for auction has been made out under proper sanction and reasonable publicity has been given in regard to the date & other particulars of auction;
- (v) that the reserve price fixed before auction were realistic and was according to the market trend;
- (vi) that the total amount realized in auction sale agrees with the total remittances made; and
- (vii) that the credit for values received has been afforded to the correct head of

account.

### **13.14 Yearly Statement of Stores Purchases**

Refer Para 325 of RAM & paras 2943 to 2946 of Stores code.

A statement showing the value of stores purchased every year should be compiled by the Railway Administration and submitted to the Railway Board after the closing of the March Accounts of the year. The return should show separately the value of stores imported direct, the value of imported stores purchased in India, and the value of stores of India Manufacture or of indigenous origin.

The statement should be checked annually in Audit. It should be seen *inter alia*

(i) that the classification of purchases into 'Imported Stores' and Indigenous or locally manufactured Stores is prime facie correct; and (ii) that the figures for direct purchases made by the various departments and for the purchases made by the Controller of Stores on behalf of other Departments have been included in the statement. It should also be seen how far the Stores purchase policy has been adhered to.

### **13.15 Stores in Transit Register**

Refer para 310 of RAM & paras 2746 to 2752 of Stores code.

The Stores-in-Transit Register is maintained for Depot Transfers. The items of transfer transaction of stores not completed within a month are kept in Stores-in-Transit. All such unaccounted items in the 'Issue Summaries' should be posted in the Stores-in-Transit Register and their clearances should be watched carefully. The balance lying in the Stores-in-Transit Registers should be carefully analysed each month and if any item has been found to be outstanding for more than one month, the matter should be taken up with the Depot Officer concerned.

### **13.16 Stock Adjustment Account Register**

Refer para 311 of RAM & paras 2740 to 2742, 2852 & 2936 of Stores code.

In reviewing the Stock Adjustment Account Register, it should be seen that

- the adjustments are mainly on account of excesses or deficiencies discovered in actual stock or due to discrepancies in value and that prompt action are taken to clear all the items as early as possible.
- the items outstanding in March Accounts should be scrutinised to see whether there are any large items, the clearances of which is held over on account of insufficiency of funds or for any other inadequate reasons.

### **13.17 Scrutiny of Larger Tenders and Contracts**

The instruction contained in the chapter of Expenditure audit may be seen.

### **13.18 Security Deposits Register:**

The Security Deposits Register will be generally reviewed to see –

- that provisions of para 614-A are observed;
- that the deposits are adequate for fulfilling the requirements of the contracts; and
- that in the case of failure on the part of the contractor to observe the terms of the contract, proper recoveries have been made from the security deposit.

### **13.19 Price Lists**

The nomenclature lists, referred to also a priced stores lists are not intended for the pricing of issues but for supplying consuming departments with a list of stores in stock showing their correct description and identifying numbers together with their approximate price.

In Audit, the Price Lists should be reviewed along with the Transaction Registers.

It should be seen that the lists are periodically revised in accordance with Paragraph 210-S. In the case of second hand stores it may be seen that the Price List rate is fixed on a valuation made after examining the conditions of articles and after providing for depreciation, etc.

**13.20 Accounts, custody and disposal of scrap materials**

The Audit of the account, custody and disposal of scrap materials includes a scrutiny of the arrangements for the custody of scrap materials, the procedure adopted for auction of the scrap, the rates fixed and those obtained during auctions and the procedure for verifications of scrap, especially valuable scrap.

## CHAPTER 14

### AUDIT OF EARNINGS

#### 14.1 Scope of Audit.

The audit of receipts of the Railways is required to be conducted in accordance with the regulations laid down in chapter 4 of section II of MSO (Technical) Vol.-I. The receipt of Railways is from booking of passengers, parcel, luggage, goods traffic and other sundry earning sources.

The traffic audit branch attached with Divisions is responsible for audit of transactions relating to local traffic (with in this Railway) and foreign traffic (from this Railway to other Railway) which are dealt with in the traffic accounts branch of Pr.FA's office and also conducting station inspections

#### 14.2 Duties of Sections

(i) Traffic Audit Office attached with Prayagraj Division is responsible for audit of earnings from the stations of Prayagraj Divisions. Except Kanpur area.

(ii) Traffic Audit Office attached with Jhansi & Agra Divisions is responsible for audit of earnings from the stations of Jhansi and Agra Divisions.

Besides these complied figures of North Central Railway viz. monthly accounts current, appropriation account of earnings, other traffic returns etc. are also being audited by Traffic branch with Prayagraj Division.

(iii) Audit of CONCOR traffic is also being done by the audit offices branch at Kanpur.

14.3 General instructions in regard to audit of earning are contained in chapter XII and XIII of RAM.

14.4 The checks exercised by accounts office on the various station returns, handling bills and other documents both centrally and during local inspection of station the procedure of maintenance of traffic books etc. have been detailed out in the A II. The audit should generally be conducted on the same lines.

14.5 The procedure laid down for the maintenance of stations books and preparation of station returns and their forms in the relevant paragraph in the Indian Railway Commercial Manual Vol.-I & II, the rules in the conference regulations and the various pamphlets like rate circular etc. and the sectional manual of accounts office should be studied carefully and referred to in conducting audit of earnings.

#### 14.6 Audit of invoices

14.6.1 Refer item II-MOI Paras 173 RAM; 2305-2310-AII & 161, 161-A-IRCA-Goods Tariff (part I) (Vol.-I).

Audit of invoices is done on forwarded basis i.e. the accounts foils submitted by the forwarding stations to the Accounts office are checked in respect of station selected for audit to the extent prescribed in the programme of Audit. The selection of invoices for audit should be made from the paid statement of the selected stations which shows details of invoices in respect of both paid and To Pay traffic. In regard to selected invoices (foreign) which are included in the Incorrect statement, a list of such incorrect invoices should be passed on to the PDA of the Receiving Railways concerned for audit. While auditing the invoices, instructions given in para 2306-AII should be borne in mind. After check the To Pay invoices should be traced into the Machine Prepared Abstracts while Paid invoices into the Paid Statements.



- 14.6.2** The continuity of To Pay invoices should be checked with reference to the covering memo under which invoices are received from the station and that of paid invoices with reference to covering memo and the Register of paid invoices Books supplied to stations maintained in the Accounts office. Continuity of Paid and To Pay invoices should also be checked with references to the paid statements of the previous month.
- 14.6.3** In respect of cancelled invoices, it should be seen that all foils (except Record foil) have been received from the stations. The same procedure should be followed in respect of Inspection Reports involving under charges as foreign invoices issued during the Station Inspections by Traffic Audit Inspection Wing.
- 14.6.4** While checking invoices (local traffic) endorsed for weighment en-route, the actual chargeable weight should be ascertained from the monthly statements of weighments/Daily advices received from weigh bridge station (c/f rule 1424(b) and 1425 of Indian Railway Commercial manual) and compared with that taken into account by the destination station in its Converted Abstract for purpose of recovery of freight and discrepancies, if any, taken up.
- 14.6.5** While tracing the audited invoices into the machine prepared abstracts, it should be seen that invoices marked for weighment enroute have been properly identical in the abstracts or they have been included in the Statements of Invoices marked for weighment enroute.
- 14.6.6** The procedure outlined above for local traffic should be applied mutatis mutandis to Foreign Traffic also. Particulars of invoices marked for weighment enroute selected for monthly audit like station from station to invoice No. RR No., Wagon No., Owning railway, charged weight, rate charged weigh bridge where required to be weighed etc. should be advised to the destination railway audit offices for conducting audit with reference to weighment advices received in their railway accounts office.
- 14.6.7** Similarly particulars of invoices advised by other railway audit office should be checked by this section. This should be watched through calendar of Returns. Nil reports should be sent.
- 14.6.8** The Accounts Office of the forwarding railway sends one copy of the machine prepared abstract to the Accounts office of the receiving railways and two copies of the abstracts to the destination stations concerned, through the Divl. Head Quarters of the receiving railway. They will compare these abstracts with delivery books then convert them into inward Abstracts and take debit in their Balance Sheets for the total amount in the abstracts. (c/f paras 2330 and 2337 AII). It should be seen that the inward abstracts sent by the stations along with their Balance sheets correspond to those received in the Accounts office from foreign railways. (CAG; s letters no.2486-RAI/T-17-12/65 dated 12.7.67,1942-RAI/17-107/67 dated 12.5.70,1941-160-RAI/8-6/71 dtd 10.6.71 1007-OSD(C)/44/71 dated 30.3.72.
- 14.7** **Audit of Inland Way Bill (refer Annexure VII of MOI)**  
Taking over of Inland Container Depots (ICDs) by container Corporation of India (CONCOR) w.e.f. 1.11.90 CONCOR is realising and collecting all charges including Railway freight from consignors/consignees. CONCOR has been authorised to issue distinct receipts known as Inland Way Bills in lieu of Railway Receipts. (See Railway Board's letters dated 17.6.91 and 22.11.91) received under CAG's office letter no.88/RA/IV/T/17-6/87 dated 4.9.91. The audit of Inland Way Bills should be conducted on similar lines as that of audit of Invoices List of unaccounted for inland way bills issued by CONCOR and realization of Railway share of freight to be paid by CONCOR have also been provided as new items.

- 14.8 Review of Monthly Incorrect Statements**  
The incorrect statements of the stations selected for audit should be reviewed to see that action has been taken by the Accounts Office to raise debits against the stations in respect of undercharges shown therein. The undercharges noticed during the course of audit of invoices should be traced in the connected incorrect statement. (CAG's letter no.1941-160-RAI/8-6/71 dated 10.6.71).
- 14.9 Audit of Invoices of non-Government Railways**  
All the non-Government railways are grouped into convenient zones on the basis of the extent of check prescribed in the Secret Memorandum and selection should be made from these groups for all processes of audit. The accountal of invoices of non-government railways has not been brought under mechanization as such the accountal is done on Received basis.
- 14.10 Comparison of outward and Inward traffic/returns and review of unaccounted invoices(non-Government railways)**  
The Inward Division sheets of the non-government Railway selected for audit of invoices should be compared with the forwarded abstracts of this railway selected for audit. This should be done in the fourth following month.
- 14.11 Audit of Railway Material Traffic Notes(RMC Notes) and Review of Registers pertaining to RM traffic**
- 14.11.1** Railway Material Traffic does not come under the purview of simplification of Traffic Accounts Procedure. The check of RMC notes and the bills should be done concurrently in respect of the stations selected for audit. While checking these RMC notes, instructions given in paras 3402-A II et seq. should be borne in mind. It should be particularly seen that in cases here either the consignor or the consignee is a non-railway party; the same has been specially permitted by the railway Board.
- 14.11.2** During the review it should be seen half yearly for one month that the total of RM Traffic as per forwarded abstracts is tallied with the bills preferred and necessary certificate of reconciliation is recorded in the Bills Register maintained by the Accounts Office. It should also be seen that for the same month, the total of freight charges billed for as per Bills register acknowledgements from FA&CAO (exp) and DFMs have been duly received. It should also be seen that prompt action is taken to clear old outstanding items.
- 14.12 Wharfage and Demurrage Returns**  
The wharfage and demurrage returns of the stations selected for audit should be checked as per instructions given in Para 2343-AII
- 14.13 Check of Wagon Registration Fees**  
In respect of stations selected for audit of station accounts, the statement of wagon registration fee collected, refunded, forfeited should be checked with reference to Debit and Credit in the balance sheet. In respect of amounts refunded it should be seen that the amount had been originally deposited and that the receipt given to the party is collected and sent in support of the credit taken. In addition to the above monthly check of outstanding for the railway as a whole under wagon registration fee deposits should be traced annually to the extent prescribed check to the month of origin and outstanding generally reviewed.
- 14.14 Remission and Refunds of Wharfage and Demurrage charges**
- 14.14.1** Refer Para 176-RAM.  
General Manager and lower authorities have been delegated powers for waiver of wharfage and demurrage charges that accrue on consignments awaiting despatch or delivery. The Programme of Audit prescribes a monthly review of the important cases of remission and refunds of wharfage and demurrage charges selected by the PDA and special investigations based on an overall review of the

list of remissions.

- 14.14.2** Refund of wharfage and demurrage charges. It should be seen that:
- That amount of wharfage/demurrage charges has been accounted for by the station in the connected return.
  - the arithmetical calculation of the amount refunded is correct the claim has been preferred in time and
  - the refund is made under the sanction of the competent authority with the concurrence of the Accounts Department wherever necessary.
- 14.14.3** The circumstances under which wharfage and demurrage charges are usually remitted by the Railway Administration are indicated below.
- delays in delivery occasioned by damaged condition of goods or disputes relating to weight and charges or other causes beyond the consignees control.
  - probability of the realisation of the full dues by auctioning the consignments due to their value to avoid litigation or compensation.
  - when charges are payable by other departments of the Railway or Government Departments.
  - when the delay in booking arises out of priority restrictions.
  - dispute between consignors and consignees, fall in market price, complaints regarding non-receipt of advice of arrival of goods.
- 14.15** **Demurrage charges due from Big firms**
- 14.15.1** Wharfage and demurrage charges outstanding against big firms should be specially scrutinised to the end of each financial year. The review should be carried out in the month of October each year after obtaining full particulars from the FA&CAO (T). Important cases which after investigation present interesting features justifying comment in the Railway Audit Report either individually or along with similar cases should be reported to the CAG.
- 14.15.2** It should be seen that the rates notified in the local rate advices and through rate circulars do not infringe the maximum and minimum rates laid down by the government. It should also be seen that prior Accounts concurrence is obtained before these are introduced and there is adequate justification for introduction of these rates.
- 14.16** **Handling Bills (Coaching and Goods)**
- The handling bills in respect of stations selected for audit should be called for from the Accounts Office. The receipt of all the bills should be verified with reference to the register of handling bills maintained in the Accounts office. The bills should be checked with reference to instructions contained in para 3003 A II. These bills should be checked in so far as weight claimed by the handling contractor for local traffic is concerned with the particulars shown in the registers maintained. As regards the weight claimed for foreign traffic, if any in the handling bills, a prima facie check should be exercised to see that the total arithmetical calculation leading the issue of the consolidated pay order is correct and that there is evidence that the foreign traffic portions in the bills have been verified in internal check. Other checks prescribed in paras 3003 A II et seq should be exercised over these bills. Thereafter, the usual checks prescribed for pay orders should be exercised on the consolidated pay orders issued for the total and passed for payment in respect of each handling bill. (CAG's letter no.515-RAII/T.17/62 dated 19.2.63)Instructions contained against item LTA-VII-of MOI should also be borne in mind.
- 14.17** **Check of Crane charges**
- A list of stations where cranes are stabled is given in the Supplementary Goods Tariff issued by North Central Railway. Selection of one such station should be

obtained every month for audit of the return of crane hire and haulage charges sent by the station. It should be seen that the returns are in the prescribed form duly supported by accounts foils of receipts wherever necessary and all the particulars in the statement have been properly filled in.

**14.18 Tolls and Taxes**

**14.18.1** Refer items-LTA-XI &XIX-MOI & paras 171 & 181 of RAM.

The North Central Railway is responsible to collect on behalf of local bodies, octroi and other taxes such as pilgrim taxes and town duty in accordance with the agreements with the respective local bodies at certain stations. The list of stations where these are collected should be called for annually and the list kept up to date. The extent of check is as given in the Secret memorandum. Instructions given in para 181 of RAM and paras 2138, 2601 to 2608 AII should also be borne in mind. Annual review should be made to see that commission realised from the local bodies for doing the work is sufficient to meet the charges incurred by the railway for collecting, accounting and payment of these charges to the Municipalities.

**14.18.2** For check of pilgrim statements under computerised system, reference may be made to para regarding changes in audit procedure as a result computerisation of traffic accounts.

**14.19 Proforma account of work done on behalf of other Government Departments**

A proforma account showing commission charges earned and expenditure incurred is prepared by the Accounts office when tax is collected on behalf of other Government Departments or outside bodies. The account should be checked (which is compiled by the Accounts office) to see whether the Railway Administration have reviewed the adequacy of the commission charges for rendering the services. It should be seen that all incidental expenses have been taken into account and that the Railway does not suffer any loss in rendering the service. Para 2608-A II should be referred while reviewing this account.

**14.20 Refund lists and over charge sheet**

**14.20.1** Refer para 179-RAM &Item XIV-LTA-MOI.

Stations selected for audit should be checked. During the audit of refund lists and Over charge sheets instructions given in para 179 of RAM and paras 2403 to 2412 AII should be borne in mind.

**14.20.2 Refund Lists:** This is a list of refunds allowed to consignees by the Station Master at the time of delivery and is sent to the Accounts office along with the balance sheet in support of the credit taken by the Station Master.

**14.20.3 Over Charge sheets:** The refunds on overcharge sheets are certified by the Pr.FA and payments are made through station earnings. The overcharge sheets are received in support of the credit taken by stations in the balance sheets. It should be seen that overcharge sheets have been certified by the Competent Authority. When in connection with a particular station a large number of overcharge refunds of similar nature are noticed, the reasons thereof should be investigated.

**14.21 Cashier's Station Cash Book**

Refer item XVI under LTA-MOI.

Cash receipts from all stations (Station remittance notes) for the month selected for audit should be verified with cash (Traffic) check sheets received from the Chief Cashier to the extent prescribed. Payments into the Treasury/Bank should be verified with the receipts received from the Treasury Officer/Bank in token thereof. It should be examined whether there has been any delay on the part of the stations in remitting cash collections, whether the cash remitted by the

stations have been duly acknowledged by the cashier and correctly accounted for in the check sheets. The action taken regarding shortages in the station remittances, if any, should also be looked into.

#### **14.22 Traffic Suspense Accounts**

After the accounts for March are closed, a general review should be made of the various categories of outstanding under the head Traffic Account and Foreign Railway. The outstanding figures should also be compared with similar figures for the previous year. It should be seen whether the account is correctly posted bringing out all outstanding at the end of the year and that each case of heavy outstanding is appropriately pursued and that there is no undue delay in the clearance outstanding. During the review of these registers instructions given in para 381 of RAM and in chapter XII of A I and paras 3226 to 3230-AII should be borne in mind.

#### **14.23 Statement of Siding Charges**

**14.23.1** (Item LTA-XXII-MOI) A list of all sidings on this railway together with rates of siding charges fixed and the dates from which these are effective is maintained in the Traffic Audit section. From this list, siding statements should be selected for audit to the extent prescribed. Instructions given in paras 2346 to 2348 -AII should be borne in mind. Para 255 & 285 of RAM should also be referred to. With effect from 1.7.87, no siding charges are leviable on notified sidings when a train runs through to or from the siding with railway's locomotive or originates from or terminates in the exchange/peripheral yard provided by the siding holder. Freight charges on the train load traffic are levied up to the siding/exchange earned on through distance basis.

**14.23.2** Following points should be seen during the audit of siding statements:

- agreement exists for each siding.
- the charges have been calculated correctly according to the agreement and the rules in force.
- in the case of detention to wagons beyond free time charges have been levied.
- as and when a siding is used under the proper sanction by a department firm or merchant other than the one for whom the siding was originally constructed remuneration charges are recovered at the agreed rates and paid to the owner of the siding, after deducting the commission. If any bill for payment of remuneration charges is selected for audit (under Miscellaneous Pay Order) it should be ensured that not more than the amount collected is paid and that commission charges have been duly deducted.
- the checked statement should be traced into the Register of siding charges maintained in the Accounts office and the amount shown in the siding statement has been correctly taken to debit in the balance sheet. When ever siding charges are paid by credit notes, the bills should be checked with reference to the Register of siding charges.
- The siding /placement charges are fixed every year as laid down in Railway Board's letter no.TCI/1087/74/2 dated 19.4.76 after taking into account the All India shunting and train engine hour costs. In accordance with the recommendations of the Railway Rates Tribunal, the Railway Board have reviewed the basis of recovery of siding charges and have fixed on all India shunting engine hour cost and train engine hour costs.
- It should be seen that there is no modification or change in the lay out of the yard of the siding door yard serving the same necessitating revision of the siding/placement charges.

**14.24 Review of Register of private and Assisted Sidings**

The Register maintained in the CCM office should be reviewed annually in June with a view to see that all the sidings including those newly opened for traffic have been included in the Register. The sidings newly opened for traffic have been notified. The register maintained by this office should be brought up to date.

**14.25 Traffic Book and Accounts office Balance sheet**

**14.25.1** Refer item LTA-IX-MOI & para 178-RAM.

Traffic Book. The traffic book maintained by the Accounts office should be reviewed yearly to the extent prescribed, to see that postings are correct and complete. Instruction given in chapter XXIX of A II and in para 175 of RAM should be borne in mind. The month selected for audit of Accounts office balance sheet should be taken for the purpose of review of Traffic Book.

**14.25.2** It should be verified that balances under the heads 'Traffic Accounts' transaction, Foreign Railways and Deposit Private Companies have been reconciled with the balances in the General Books. In the analysis of Traffic Book in Part B it should be seen that the resulting balance tally with the balances of Account Current. Instructions given in chapter XXXIII of A II and in para 179 of RAM should be borne in mind. The tracing of posting of Balance sheet of stations into the Traffic Book is done after the audit of Balance sheets of stations selected for audit each month.

**14.25.3** Reconciliation of balances as per Traffic Book with those as per General Books. The manuscript register maintained in the Traffic Book section to arrive at the balances as per General Books under the suspense heads Traffic Account, Foreign Railways and Deposit Private Companies should be checked to see that the figures for the month as well as the balance at the end of the previous and current months have been correctly noted. The reconciliation sheet showing the balances as per General Book under Traffic Account and Foreign Railways is sent in duplicate to the General Books section for verification and counter signature. It should be seen that the discrepancies pointed out by General Books section are duly examined and rectified. The differences on account of cash and journal vouchers should be fully investigated and reconciled. It should be seen that the figures posted in the prescribed form for reconciling the differences under each category have been correctly extracted and completely reconciled. In respect of items of differences on account of adjustment relating to previous months such items should be linked with those outstanding in the reconciliation sheet for the previous month and the connected entries cancelled.

**14.26 Audit of Goods Balance sheet**

The accounts of a station selected for monthly audit should be checked completely with reference to its balance sheet both in respect of received and forwarded traffic.

Paid outward-local and foreign: The correctness of the debits should be checked with reference to the machine abstracts (also known as Paid statements) compiled by the Accounts office.

To Pay inward local and foreign: The correctness of the debit taken in the balance sheet of the station/Inland Container Depot (ICD) selected for monthly audit should be checked with reference to converted machine abstracts and submitted to the Accounts office along with the station/balance sheets. Other items accounted for ICD in the balance sheet should be checked with reference to the connected returns (see chapter XXIII-AII)

**14.27 Net Balance statement**

In addition to the accuracy of arithmetical calculation it should be seen with

reference to the Division sheets or Grand summaries that the share due to each railway has been correctly taken and that the net debits and credits have been correctly arrived at.

**14.28 Review of tenders and contracts**

**14.28.1** The contracts entered into by the CCM relating to handling of goods, out agencies etc. should be reviewed quarterly.

**14.28.2** In terms of CAG's letter no.301-RAI/8-7/66 dated 27.8.66, handling contracts in respect of all transshipment points should be reviewed while other major handling contracts reviewed under item CA xiii (2) Goods Handling contracts. While the contracts entered into by the CCM should be reviewed by the Headquarters Tender Review section, the Divisional Audit Offices should similarly review the contracts entered into by the Divisional Officers under schedule of powers delegated to them. The required particulars should be called for from the concerned Divisional office.

**14.28.3** A register for review of contracts and implementation of contracts should be maintained in the forms prescribed.

**14.28.4** During station inspection the contract case may be reviewed by Traffic Inspection Party.

**14.29 Review of Missing or Delayed Returns**

**14.29.1** The position of missing or delayed returns of all the Divisions should be reviewed every quarter i.e. the position of returns as on 31st March, 30th June, 30th September and 31st December should be reviewed in April, July, October and January respectively. The late or non-submission of the more important returns such as balance sheets, passenger classification, wharfage and demurrage returns etc. should be specifically commented in the review.

**14.29.2** The following points require special examination:

- Arrears in regard to the submission of returns by the stations over three months.
- Continuous slackness on the part of the station to send the returns.
- Any tendency on the part of any station to resort to irregularity or to continue it without check beyond a reasonable period.
- Progressive increase or decrease in the number of stations involved, significance of their location etc.
- Promptness and effectiveness of the action taken by the Accounts and the commercial departments.
- A record should be kept of the defaulting stations for the purpose of station inspection and special review of their accounts, if necessary.
- same preference may also be given for selection of such stations for audit at headquarters.
- The TIA's reports of the stations in respect of which serious delays in the submission of returns are noticed should be reviewed to see how far appropriate action was taken by the TIAs. In such cases action taken by the Accounts office should also be critically examined for the adequacy and promptness.

**14.29.3** Headquarters Audit section should bring to notice of the Inspection section cases of unusual delays in receipt of station returns or important missing returns selected for audit. On receipt of this information the position in respect of these returns should also be investigated by the Inspection section. The review notes should be treated as confidential and kept in the custody of the AAuO. The quarterly review notes should be put up to PDA. (C/f CAG's letter no.998-RA II/T-17.26/57/KW dated 28.10.58).

- 14.30 Write off cases and Auction sale statements**  
Write off cases including auction sale statements should be checked monthly to the extent prescribed. It should be seen that sanctions accorded are within the powers of sanctioning authority and reasons given for their waiver are adequate. It should also be seen that write off is not due to any error or defect in the system or procedure, and that necessary adjustments consequent on the amounts written off have been properly carried out. Auction sale statements in respect of the write off cases selected for audit should also be called for and reviewed. Instructions given for condition of auction sales in para 2235 of Indian Railway (commercial) manual should be borne in mind.
- 14.31 Concurrent check of Police Warrants and Credit notes. (Parcels and Goods).**  
The warrants and credits notes in respect of the stations selected should be checked concurrently as these bills are not available for audit in the fourth following month. Instructions given in note 3 below para 174 of RAM and in paras 2904 A II et seq should be kept in mind. The checked warrants and credit notes should be traced into the bills, the total amount billed for verified and traced into the Bills Register.
- 14.32 Review of Registers of Credit notes kept pending**  
The Register of Credit notes kept pending, maintained in the Accounts office, should be reviewed half yearly to see that prompt action is taken to include the pending credit notes in the subsequent bills.
- 14.33 Item XII under MOI**  
Review of Inspection reports of station Inspections by TIA and Traffic accounts Officers. A list of TIA etc. latest reports dealt with by the Accounts and filed by them should be called for from that office for review in the following month to the extent prescribed in CAG's letter no.2301-RAI/8-7/66 dated 27.8.66 to see whether there is any lacuna in the system and whether the system is working with reasonable efficiency. It should also be seen whether effective and prompt action has been taken by the Accounts office on these reports. Failure to do so may be commented wherever considered necessary. Stations having large number of irregularities should be preferred for local inspections and if considered necessary should be taken up for local audit in addition to the quantum prescribed.
- 14.34 Apportionment of earnings between main and worked lines**  
Refer item III of MOI and para 174-RAM.  
Instructions contained in chapter XXXI of A II and para 174 of RAM should be borne in mind.
- 14.35 Pooling Traffic Arrangements**  
(Item XXIII-MOI)The scope of audit required to be exercised in conducting the annual general review of this item is laid down in para 182 of RAM. Such arrangements wherever existing should be scrutinised with a view to seeing that the interest of the Government as a whole is not appreciably affected and that the distribution of earnings between the parties concerned is done on a fair and equitable basis. For this purpose, the files of the railway administration should also be reviewed to see whether over a period of years the arrangements have not been operated unfavourably to any party justifying a revision of the terms originally agreed upon. (CAG's letter no.706-RA II/17-45/62 dated 21.3.64)
- 14.36 Collection and delivery service-procedure for Payment to Contractors**  
Bills preferred by street collection/delivery contractors should be checked in audit as and when a station where the system is in force is selected for monthly audit. The selection of station for monthly audit should be so regulated as to



ensure that one or two such stations are necessarily selected in a year. In the course of audit of these bills the following points should be seen:

- That weight particulars in the contractors bills tally with those in Parcel way bills, invoices for abstracts etc.
- That the rates charged are in accordance with those provided in the agreement and
- that the arithmetical calculations are correct.

(CAG's letter no.3406-RAI/T-17-5/66 dated 19.8.68)

**14.37 Review of exempted Debits/Debits withdrawn/Error Sheet Register**

The register maintained in the Accounts office should be reviewed half yearly to see that there is no tendency on part of the station staff to take undue advantage of the codal procedure. Instructions contained in paras 2803, 2808 and 2814 A II et seq should be referred. It should be seen that the register is reviewed monthly by the Accounts office.

**14.38 Review of Register of objectionable items and Provisional payments**

The general instructions contained in para 283 of RAM should be followed in renewing these registers maintained in the Traffic Accounts branch. The results of the review should be recorded in the Selection Register.

**14.39 Miscellaneous Statements (Goods & Coaching)**

The following miscellaneous statements (local/foreign) should be checked monthly to the extent prescribed under Programme of Audit. It should be seen in audit that the statements have been correctly prepared from the relevant returns and dealt with in the accounts office promptly and correctly according to the extant rules and orders.

- Statement of overcharge of Rs.5 and above(voluntary refund statement)
- Statement of special credits for twice account of PW bill/invoices
- Paid on charges statement-coaching and goods
- Advice of reweightment of consignments
- Check of commission charges or credit notes
- Register or invoice relating to consignments of fodder traffic carried in famine conditions, the items mentioned above should be done in respect of station selected for audit.
- Commission paid to tourist agent. This should be checked in respect of the tourist agent selected for audit
- Objection statement of military departments and other than military department.
- Military rejection statement received from the military department together with the credit afforded by the controller of Defence Accounts
- Cartage bill (parcels and goods)
- Out agency bills(parcel and goods)
- Town duty statements.

**14.40 Review of Accounts Office Work**

The following items special to traffic accounts should be seen:

1. Missing and delayed returns
2. Unadjusted credit notes
3. Mistakes pointed out by the auditor on behalf of worked line companies and admitted by accounts office
4. Monthly progress reports of accounts(general review)
5. Half yearly arrears report to the Railway Board(general review)
6. Half yearly review of suspense balance(general review)

7. Working of the simplified system of accounting introduced by the Railway Board

8. Accounts office balance sheet

#### **14.41 Review of Appraisal Reports**

An annual review of the appraisal reports of the Container Services and of the Freight Forwarding Scheme which are of recent innovations on the Railway-should be conducted in audit. The purpose of the review is to see whether the return on the capital invested as anticipated has been realised or not. (c/f PAC's recommendation n.4 contained in para 1.II of 109<sup>th</sup> report of the PAC (1973-74). The following further points should also be kept in view while conducting the review:

- Maintenance and depreciation charges on the newly built containers having been incurred in respect of terminal buildings have also been included.
- cost of RPF staff posted in the container terminal buildings and proportionate cost of staff in commercial department etc. for this service have been taken into account
- Cost of documentation and marshalling at certain yards enroute have been charged fully.
- The unit cost of maintenance of container flats and line haul costs have been worked out correctly.
- life of the reconditioned BFR Used as container flats has been prescribed correctly and not as for the new ones
- Cost of haulage of box wagons used to meet the shortage in container flat has been reckoned correctly.

#### **14.42 Audit of computerised account of traffic receipts**

The following additional checks should be exercised in audit on the various documents produced as a result of computerisation of accounts of traffic receipts.

##### **14.42.1 Review of monthly incorrect statements**

In addition to tracing of undercharges noticed as a result of check of invoices into the incorrect statement, these statements should be reviewed with a view to verifying the action taken by the Accounts office for issue of error sheets to the station concerned. In regard to foreign inward traffic the issue of error sheets etc. should be checked with the entries in the registers showing receipt of incorrect invoices from Foreign Railways. Similarly, while checking Passenger classification also, in addition to tracing the errors noticed in the incorrect list, the incorrect list as a whole for the station should be reviewed and adequacy of the action taken by the Accounts office ensured.

##### **14.42.2 Check of Continuity of Invoices**

In addition to checking the continuity of paid invoices from the register of Paid Invoice Books supplied to the stations and that of to Pay invoices with the commencing and closing numbers given in the covering memo received from stations, the continuity should also be checked by comparing the first entry in the current months paid statement (Month of accounts selected for audit) with the last entry in the previous month's paid statement both for Paid and "To Pay" invoices. The continuity of invoices within the Paid statement should also be checked.

(CAG's letter no.1941-160-RAI/8-6/71 dated 10.6.71)

**14.42.3** While, all invoices selected for audit may continue to be checked in regard to class, rate, other charges etc. calculation of freight (rate x weight) in respect of invoices where such calculation is done on the computer and not manually

should be checked only to the extent prescribed in CAG's letter no.1007-OSD/(C)/44/71 dated 30.3.72.

- 14.42.4** The accuracy of the total of the paid statement both in respect of freight and weight handled by the railway should be checked.
- 14.42.5** The correctness of the total of the amount shown under Invoiced Freight "To Pay" in the outward abstract should be manually checked and the inked entries in the abstract(entries appearing in the delivery book of the station but not in the Machine Prepared Abstract) should be verified with the accompanying invoices.
- 14.42.6** To ensure that inward abstract sent by station along with the balance sheets, correspond to those received in the Accounts office from the foreign railways, the entries in the Register showing receipt of Machine Prepared Abstracts from foreign railways should be scrutinised and seen that the station returns correspond to all the sheets received from foreign railways.
- 14.42.7** The credit on account of Paid on charges taken in the station Balance sheet should be checked with reference to the Machine Prepared Paid on charges statement and it should be seen that the details of items relating to Paid on charges correspond to the entries in the Paid on charges statement. In order to see that debit is being forced correctly against the station to which the consignment is rebooked, selection of invoices for audit should be so designed as to deliberately include some rebooking invoices within the percentage prescribed otherwise and it should be traced against the relevant destination station in the Machine Prepared outward Abstract.
- 14.42.8** The check of invoice marked for weighment enroute should be carried out in respect of invoices issued by stations selected for audit. Check of such inward invoices of stations selected need not be carried out.
- 14.42.9** The total number of cards as shown in the station Forwarding Memo for the selected stations should be agreed with the number of cards in the card to tape programmed and the grand total of cards in this programme should be agreed with the total number of cards in the paid statement and the outward abstract programmes. Run to Run totals of the whole system should be checked.
- 14.42.10** The action taken by the accounts office on entries linked into the Machine Prepared Abstract (converted) by the destination stations should be verified in respect of local traffic with reference to the original Invoices themselves and that the withdrawal of debit was also correctly advised. As for foreign traffic, a list should be sent to the originating railway for similar verification (including a nil return when there are no such cases).

(CAG's letter no.1007-OSD/(C044/71 dated 30.3.72)

**14.43 General**

The instructions contained in Chapters XII & XIII of the RAM regarding audit of Traffic matters and that relating to the extent of audit etc. as given under Local Traffic Audit coaching/goods in the Secret Memorandum of Instructions (2003) as amended from time to time should be referred to. All the stations on this railway should be classified as major and minor and grouped into suitable units and number of units selected to the extent prescribed for audit of coaching accounts including balance sheet. The various documents leading to the check of balance sheets are dealt with in the following paragraphs.

**14.43.1**

**Check of the rate circulars and tariff changes (Refer to para 180 of Railway Audit manual)**

- (A) Rate Circulars issued by the Railway Administration should be scrutinized to see that the changes made are by the competent authority and are within prescribed minima and maxima limits fixed and that they are

generally in the interest of the Railway.; The sanctioned maxima and minima and exception thereto are given in the I.R.C.A. Goods Tariff. Important features should be taken up for intensive examination. Special station-to-station rates introduced should be checked to ensure that these are within the limits of the rate reducing powers of the Railway Administration as delegated by the Railway Board from time to time. As under these powers, the Railway Administration can quote reduced station-to-station rates only for the purpose of securing additional net revenue it would be worth examining in a few selected cases, under the orders of the Deputy Director (Traffic), that this principle has not been infringed without prior approval of the Railway Board. This examination should be conducted by the Traffic Audit Branch at Delhi with reference to the files of the Administration at headquarters. Local Railway tariff, as and when issued, should be reviewed to see that these do not contain any material changes not already notified through Rate Circulars etc. And scrutinized in audit. (Authority: Director of Audit's Tour Note No.30 dated 30.07.1958)

**(B) Audit of amendments of tariff's, Rate Circulars.**

The files of the Railway Administration should be called for and reviewed before the sanctions are admitted in audit. The following points may be seen in particular:

- (i) Whether the basic data relating to loadability of wagons, Floor Area, densities etc., on which station to station rates are fixed are acceptable
- (ii) The correct market value of a commodity is taken into account while giving concessional rates of freight.
- (iii) The classification of the commodity is consistent with classification of similar commodities.
- (iv) In case of upward revision of freight rates, there has been no avoidable delay in issue of notification.
- (v) Concessional rates are kept under revision constantly for a timely revision or withdrawal.

**14.44 Passenger classification**

**14.44.1** Refer Sr. No. XXIV of MOI.

In respect of the stations selected for audit the local and foreign passenger classifications (including statements of computerised Passenger Reservation System as enumerated in Sr. No. XXVI of MOI) for the month of audit and that for the previous month should be obtained. Other documents required for audit of passenger classifications are as under,

Concession vouchers,  
Collected and non-issued tickets,  
Accounts as well as collected foils of Blank Paper Tickets (BPT),  
Statement of out of series,  
List of passenger master records,  
List of index No. of tickets issued to the station,  
Statement of station figures,  
Final incorrect statement and  
Statement of Passenger Unmatched Basic Cards.

**14.44.2** The passenger classification should be checked to the extent prescribed in accordance with instructions contained in Paras 2109-AII et seq. It should be seen that the tickets accounted for in the passenger classification relate to the

series supplied to the station.

**14.44.3** The collected tickets should be examined to see inter-alia whether the local blank paper tickets have been correctly accounted for by the stations and whether the highest number of such a ticket among the collected ticket is not higher than the closing number of the month of the issuing station in the series of tickets.

**14.44.4** The statement of non issued tickets and cut pieces of tickets sold at half fares should be audited in accordance with para 2108-AII. The collected PTOs and other concession vouchers should be checked with reference to paras 2114 and 2115-A-II. The audit of season tickets included in the classification should be done in the same manner as for printed tickets. The totals of the classification should be checked and traced into the General summary and the latter into the Balance Sheet.

**14.45 Audit of collected tickets and Ticket Collectors' Reports**

**14.45.1** Apart from check of collected tickets as mentioned above, a detailed check of collected tickets to the extent prescribed should be carried out in central audit. The following points should be seen:

- The tickets are invariably nipped
- The tickets collected are in all respects genuine and are otherwise in order
- The dates impressed on the tickets are clear and that there is no unauthorised defacing of tickets in any manner. In addition checks prescribed in para 2104 AII should be exercised.
- The percentage of tickets missing from collection is kept to the minimum say 7 to 8%.

**14.45.2** At the time of annual review of the working of the Accounts Department the various registers maintained in the Accounts office in connection with the internal check of collected tickets should be reviewed to ensure that proper checks are exercised. A review of the ticket collectors' reports should be carried out once a quarter to the extent prescribed to see in particular that the percentage of tickets missing is kept at a minimum (say not above 7 to 8%) (CAG's letter No.RAI/T-R10-31/50 dated 8.12.55)

**14.45.3** If the TC Report selected for audit under this paragraph pertains to a junction station the tickets shown in the junction TC Reports should be traced in the passenger classification of the station selected for audit.

**14.46 Returns of Tourist agents**

**14.46.1** The Accounts office maintains a Register of Tourist Agents on this railway. A list of such tourist agents should be kept in the selection register and selection made every month to the extent prescribed. The returns should be audited in the same manner as passenger classification verifying inter-alia the correctness of the rates charged, the refunds allowed on unused tickets and the commission claimed is in accordance with the agreement executed. It should also be verified that the net amount due to the railway has been correctly worked out and received by the Railway Administration.

**14.46.2** The following points should be seen:

- The security deposits paid by the tourist agents are adequate with reference to sales returns.
- There is no delay in the submission of returns and remittances by the tourist agents. The tourist agents are required to render their accounts monthly and should remit the sale proceeds and submit their sales statements within five working days after the expiry of each fortnight. (RB's letter no.TRC/II/2025/65 dated 19.7.67)

- There are no outstanding of sale proceeds of railway tickets lying against the tourist agents for unduly long period.
- The stock registers are maintained by the Accounts office and kept up to date and that large stock of tickets is not allowed to remain with the agents for unduly long period.
- In respect of transactions of foreign Railways, the continuity of all the tickets issued should be checked with reference to the supply statements.

#### **14.47 Excess Fare Returns**

The excess fare returns, Travelling Ticket Examiners' Returns of the stations selected for audit should be checked to the extent prescribed in accordance with the provisions of paras 2150-A II et seq. The following points should be seen:

- The double sided carbon has been used in the issue of these tickets,
- The series of the tickets used should be compared with those of the Excess Fare Ticket Books issued to the stations,
- The collected excess fare tickets should also be compared with the accounts office copies to bring to light any possible manipulation of the figures of the charges collected,
- In the case of cancelled tickets both the accounts office and passenger foils should have been submitted to the Accounts office. The register maintained in the Accounts office for watching the continuity of the numbers of EFTs issued should be reviewed.

#### **14.48 Luggage, Horse, Carriage and Dog returns**

These returns should be checked to the extent prescribed with reference to the provisions contained in paras 2202-A II et seq. The rules relating to the booking of luggage, horse, carriage etc. are published in the IRCA (Coaching Traffic) which should be borne in mind.

#### **14.49 Demurrage and wharfage on Parcels and left luggage**

These should be checked to the extent prescribed with reference to provisions of para 2210-AII. It should be seen that the amount accounted for in the returns checked with the amount taken to debit in the balance sheet of these stations.

#### **14.50 Check of Coaching Traffic-Non-government Railways**

These railways should be grouped into units and units selected for audit to the extent prescribed for both outward and inward traffic. The checks prescribed for audit of various documents/returns described in the earlier paragraphs apply to non-government railways also. In addition, the correctness of apportionment of earnings between the government and non-Government Railways made through Division sheets should be checked in audit.

#### **14.51 Special Trains-Tourist Cars etc.**

**14.51.1** A record of all the special trains run is maintained in the Accounts office. Selection of cases for audit should be made from this register to the extent prescribed. While special trains are checked monthly, tourist cars are checked quarterly. It should be seen that-

- i) Necessary deposit has been collected,
- ii) Charges as shown in the special tickets and collected by the station from where special train starts are accounted for in the passenger classification and balance sheets of the station to ensure correct account of the charges and
- iii) the refund has been correctly made

**14.51.2** Charges for special trains, tourist cars etc. should be checked in accordance with the rules given in the IRCA Coaching tariff. The tour programme issued by the

Chief Operating Manager and the composition statement should also be seen.

**14.51.3** In case where special trains are run for own convenience by the Railway Administration for use of tourists etc. without any request from the latter or from any tourist agency on their behalf the sanction should be thoroughly investigated from a higher audit point of view to see whether the administration is justified in providing the accommodation and the facilities in each case and whether in doing so, the final interests of the railways are duly borne in mind.

**14.52 Audit of parcel way bills**

**14.52.1** The parcel way bills of stations selected for audit should be audited to the extent prescribed. Before taking selection it should be ensured that all way bills as per the abstracts are received. While auditing the parcel way bills the following points should be seen.

**a. Local Traffic Forwarded Paid.**

i. The copy of the Parcel Cash Book received in accounts office from the station is in the prescribed form and is a carbon copy.

All the accounts foils of the Paid P.W bills mentioned in the copy of the cash book have been actually received

iii. The PW bills accounted for are in consecutive order and are in continuation of the closing number of the Parcel way bills issued in previous months.

The cancelled way bills re-entered in the Cash Book and all the three foils other than the record foil are received along with the cash Book.

Necessary certificate has been furnished in the summary page of the cash book that the amount shown in the Cash book has been taken to the debit side in the balance sheet for the month under the relevant head and no parcel way bills other than those included in the cash book have been issued during the month at the station for this traffic.

A nil return has been received where there has been no transaction of outward paid traffic during a month and the last number of the parcel way bill issued previously is not included in the cash book.

The machine numbers of paid parcel way bill books supplied to all local stations are advised by the supplying office to the Traffic Accounts office. It should be seen whether the numbers of PW bills received and checked tally with those shown in the advices of supply of books to the stations concerned.

The selected parcel way bills should be audited in accordance with the provisions of para 2228-AII et seq and traced into the cash book of the station.

The total of the cash book for the month should be checked and compared with the amount shown in the balance sheet of the station for the month against item Parcels traffic outward paid (local/foreign).

In the case of traffic pertaining to motor cars, carriages etc. the paid traffic should be checked in accordance with the instructions in para 2239-AII and traced into received abstracts and summaries.

**b. Local inward to-pay.** The inward to -pay parcel way bills (guard foils) should be checked with reference to provisions in paras 2213-AII et seq and traced into received abstracts. The to-pay total in the received abstracts should be checked and the total of each abstract traced into the summary. The grand total of the summary should also be checked and traced into the balance sheet of the station. Comparison of received summaries of the stations selected for audit with the forwarded summaries of the forwarding stations.

**14.52.2** With a view to ensuring the account of all to-pay items by the receiving station, the inward summaries of the stations selected for audit should be compared with the outward summaries of the forwarding stations on the lines indicated in para 2218-AII. Parcel way bills not accounted for in the returns by

the receiving station should be traced in the Register of unaccounted for parcel way bills.

**14.52.3** Register of unaccounted for Parcel way bills. Para 2225-AII and Note 2 below para 174 of RAM should be seen. This register, maintained in the Accounts office, should be reviewed annually to see that there are no old items and prompt and adequate steps are taken by the Accounts office to clear them.

**14.52.4** Foreign Traffic-Outward Paid. The checks detailed above for local traffic should be applied mutatis-mutandis to foreign traffic outward paid parcel way bills also. Comparison of guard foils of selected destination stations to the extent prescribed with the entries in the cash book of the forwarding stations selected for normal monthly audit should be made. (RAI/17-2/65 dated 24.11.65)

In case, no guard foils in respect of the stations selected for audit have been received in the accounts office, only a prescribed percentage of the guard foils actually received in the Accounts office should be compared with the corresponding cash book.

**14.52.5** Foreign Traffic Inward To-pay-The parcel way bills (guard foils) should be checked on the inward basis as per instructions contained in para 218-AII et seq and traced into received abstracts. The totals of the abstracts should be checked and traced into inward summary. The grand total of the inward summary should be checked and traced into the balance sheet of the station. Comparison of forwarded abstracts received from foreign railways with the received abstracts and preparation of lists of unaccounted for parcel way bills.

**14.52.6** All the stations of this railway have been grouped into units and unit selected every month to the extent prescribed. The forwarded abstracts received from all the railways (government) should be compared with the received abstracts of the stations included in the units selected and unaccounted for items traced into the list prepared by the Accounts Office. This comparison is done in the fourth following month.

**14.52.7** Foreign Traffic (non-govt Railways). Selection of non-government Railways is made every month to the extent prescribed for the check of traffic booked from this railway to non-government railways vice-versa.

a. Traffic booked to the non-Govt. Railways- The parcel waybills accounted for in the division sheets received from the selected non-Govt Railway should be checked and traced into the division sheets.

b. Traffic booked to this railway by non-Govt Railway- In respect of the selected non-Govt. Railway the parcel way bills accounted for in the division sheets prepared by this railway and sent to then-government railways should be checked and traced into the division sheets.

**14.52.8** Tracing of undercharges into Register of exempted Debit/Error sheets. Undercharges already noticed by Accounts Office and marked in the parcel waybills (local and foreign) selected for audit should be traced in the Register of exempted debits/errors sheets as the case may be to ensure that necessary action has actually been taken.

**14.53** **Audit of Sundry Earnings**

The amounts shown in the balance sheet of the stations selected for audit should be checked with the sundry cash returns of the stations. It should be seen that full particulars of the receipts re given in these returns in detail to enable the Accounts office to allocate these credits correctly.

**14.54** **Audit of Coaching Balance sheets**

The audit of coaching balance sheet should be checked with reference to the instructions contained in Chapter XXVII of A II.

**14.55** **Postal Bills**



- 14.55.1** Bills are submitted by the Accounts office to the postal department in respect of the following.
1. Extra accommodation supplied to Postal Department
  2. Empty and loaded haulage of Postal vans
  3. Fixed accommodation supplied to Postal Department
  4. Mail bags carried under the weightment system.
- 14.55.2** The bills should be selected for audit to the extent prescribed and checked to see whether the rate charged for each type of transactions referred to above are correct as per the statement received from Chief Operating Manager.
- 14.56** **Through and two route season tickets**  
During the annual check of through and two route season tickets the apportionment as prescribed by Railway Board for the selected month should be seen.
- 14.57** **Check of out agency charges**
- 14.57.1** In addition to the railway fares, charges for passengers, luggage, parcels etc. carried by bus from the railway stations to the out agencies are recovered by the railway and paid to the contractor.
- 14.57.2** The out/city booking agents submit monthly to the Accounts office separate bills for local/through forwarded and received traffic. These are to be checked annually to the extent prescribed and in accordance with the instructions contained in chapter XXV of A II.
- 14.58** **Concurrent check of Passes issued to Members of Parliament**  
Monthly statements showing the cost of journeys performed by spouses of the members of Lok Sabha/Rajya Sabha as also their attendants together with the collected journey forms are submitted to audit by Accounts office for concurrent check before sending the bills to the Lok/Rajya sabha secretariat. These should be checked to the extent prescribed every month.
- 14.59** **Verification and certification of Pilgrim Tax statements**
- 14.59.1** In terms of Article 179(I) of the Constitution of India, the taxes levied and collected by the Government of India and assigned to the States under Article 269(i) *ibid*, shall be ascertained and certified by the CAG of India. For this purpose, the statements of pilgrim tax collected by each railway in respect of passengers booked from/to the notified stations are compiled by the Accounts office and certified by the PDA. The checks as laid down in CAG's letter no.6237/RAIT/17-74/69 dated 24.12.69 and 1941-160-RAI/8-6/71 dated 10.6.71 should be exercised.
- 14.59.2** With effect from 1.10.81, the Pilgrim Tax is being compiled with reference to the number of passengers booked to and from notified stations is detailed in a manuscript register which should be signed by the concerned BO.
- 14.60** **Miscellaneous cash remittance returns**  
Miscellaneous cash remittance returns are submitted by various offices to the Accounts office. The statements should be checked to the extent prescribed every month.
- 14.61.** **Changes in audit procedure as result of computerization.**  
Changes in audit procedure as a result of computerisation of accountal of traffic receipts Passenger classification. While selecting the series in passenger classification for audit, series that had out of series issues in the preceding month should be selected for scrutiny as far as possible to the extent prescribed. It should be seen that all series, with (out of series) issues in the current month are entered in the out of series register maintained by Traffic Accounts Branch. This register should be reviewed quarterly with a view to verifying that the incidence of out of series is not specially heavy on any particular station and that they are

accounted for properly.

**14.61.1** Passenger Master Records. (i) The list of Passenger Master Records should be checked for the index numbers selected for audit and it should be seen that the distances between a pair of stations the pilgrim tax leviable, and fare chargeable are correct. The fare so checked should be agreed with the fare indicated in the Passenger classification.

The entries in the Passenger classification should be generally examined with reference to the index numbers of tickets supplied to the stations.

The entries in the passenger classification should be checked with reference to the highest number of tickets collected as per ticket collectors reports.

The amount of fares realized as per classification should be agreed with the corresponding entry in the statement of stations figures and traced into the coaching balance sheet

A listing of passenger fares tape should be checked to see that the rate of fares is in accordance with the rates notified by the Railway Board.

Statement checking of fares should be examined to see that (i) corrections to Pall cards tape are made without delay and (ii) there has been no leakage of revenue owing to undercharges having remained undetected because of incorrect fare rates on PALL CARDS TAPE.

Cases marked as NO CLASS in the final incorrect list should be agreed with the record of outstanding passenger classification in the Traffic Accounts Branch and should be seen that adequate action has been taken to call for the same.

The correctness of action taken on the items printed in the statement Listing of Passenger unmatched Basic cards should be checked

The records of Traffic Accounts Branch should be examined to see that the cases of undercharges/overcharges taken up with stations are promptly settled.

(CAG's letter no.896-OSD(C)-42/71 dated 14.3.72 & POO 977 dated 14.67.72)

The following newly introduced item may also be reviewed:-

Sr. No.	Items	Periodicity	Days for SO/AAuO	Days for Sr.AuO/AuO
(i)	Station to Station rates	Half Yearly	3	2
(ii)	Own your Wagon Scheme	Annual	5	3
(iii)	Lease charges paid under own your wagon scheme	Annual	5	3
(iv)	Volume Discount Scheme	Annual	5	3
(v)	Lumpsum Rate	Annual	5	3
(vi)	Mini Rake Concept	Annual	5	3
(vii)	Leasing of Brake Van	Annual	5	3
(ix)	Introduction of Millenium parcel Express on fixed Path to Provide time table service.	Annual	5	3

**14.61.2** Chapter I along with Annexures of the Report on Railway Audit Norms may also be kept in view during Audit of Earnings.

## CHAPTER 15

### STATION INSPECTION

#### 15.1 Scope of Audit

Refer para 424, 449 & 450 of RAM and Appendix to chapter 2 Audit of earnings (Traffic) of Revised Audit Norms.

The inspection of stations/sidings on NCR is distributed alongwith Divisional Audit offices at Prayagraj, Jhansi & Agra & Branch Audit office at Kanpur with geographical territories.

#### 15.2 List of Stations

A complete list of Very big, big, major and minor stations including L.P.O.s, tourist agency, city booking office/agency indicating the month and year in which they were last inspected, earnings, No. of TIA days and No. of days for audit inspection should be maintained by both traffic audit office at Prayagraj, Jhansi, Agra and Kanpur as well as coordination section at Prayagraj and the same should be updated from time to time changing the classification of stations based on the earnings as and when found necessary.

#### 15.3 Programme of Inspection

(i) **Annual:** - Annual programme shall be prepared by traffic audit office at Prayagraj, Jhansi, Agra and Kanpur and submitted to coordination section alongwith the complete list of stations, classified list based on earning etc. for PDA's approval before commencement of year. The classification of stations/sidings shall be made on the basis of earning and frequency/periodicity of inspection, days of inspection.

BO's supervision and party's composition shall be as under :-

Sr. No.	Category of station	Annual earning	Days of inspection	BO's supervision	Periodicity	Party Composition	
						AAuO	Sr. Ar/Ar.
(a)	Very Big	Rs. 5 crore and above	8	100%	Once in two years	2	1
(b)	Big	Rs. 2 crore and above but less than 5 crore	6	100%	Once in three years	2	1
(c)	Major	Rs. 50 lakh and above but less than 2 crore	4	50%	Once in four years	1	1
(d)	Minor	Less than Rs. 50 lakh	2	NIL	15 to 20 stations in a year	1	1

(ii) Quarterly :-

Stations due for inspection in the next quarter shall be prepared and submitted to coordination section one month in advance of the quarter for obtaining PDA's approval. The inspection programme of stations shall be kept strictly confidential so as to ensure the element of surprise essential for such inspection.

#### 15.4 Items to be seen during inspection

Details of items of work to be done during station inspection have been

mentioned in prescribed list circulated by coordination section.

**15.5 Records to be taken for inspection.**

The staff proceedings on inspection should take with them the following returns and documents in addition to the relevant codes and manuals.

- i) Copies of checked balance sheets and latest advice of Accounts of internal check.
- ii) Copies of indent s for supply of numbered books.
- iii) Report of Travelling Inspector of Accounts
- iv) Office copies of handling bills.

**15.6 Computerised Reservation System.**

In respect of stations having Computerised Passenger Reservation System guidelines for checks to be exercised by TIA or the procedure laid down by FA&CAO (Traffic Branch) should be referred to. The guidelines or the procedure laid down for this purpose may be adopted in audit also to the extent it meets audit requirements of conducting an effective check on the Computerised Reservation System.

**15.7 General Procedure of Audit during local inspection**

**(a) Verification of cash**

On arrival at the station, the total cash in hand including imprest money, all coupons, warrants, credit notes, pay orders, police vouchers, PTO and other cash vouchers must be counted in the presence of the Station Master or the Booking Supervisor/Parcel Supervisor/Goods Supervisor as the case may be. The stamped indemnity bonds should be counted and the actual number and value in the stock should be recorded in the cash book in words and figures below the entry "cash in hand". The cash of each branch/window should be counted separately and it should be ensured that cash of one branch/window is not utilized to make good temporarily the deficiency of the other. The guards signature book for cash bags should be seen to ascertain up to what date the cash as actually been remitted.

**(b) Inventory of Goods and Parcel on hand**

An inventory of the goods/parcel on hand should be taken alongwith the details viz. station from, No. of package, reference to invoice/P.way bills/luggage tickets number and marks. This list should be compared with relevant records and may reveal the following irregularities :-

1. Delivery of consignments and retention of freight charges collected.
2. Delivery of consignment in advance of receipt of freight.
3. Delivery of part consignment.
4. Unbooked inward consignments lying at stations.
5. Consignments were kept within the station premises after delivery and without levy of wharfage.
6. Consignments lying at stations which have been booked to some other station.
7. Under invoicing of goods and wrong deliveries.
8. Daily trains cash cum summary book

The inspecting staff should request the booking clerk to close his daily trains cash-cum-summary book and when he has done so, verify the numbers of tickets in the tubes and in subsidiary paper ticket books, with the closing numbers in the daily trains cash-cum-summary book. The non- issued tickets, vouchers, coupon certificates, concession and privilege tickets orders in hand should be checked with the cash- cum- summary book in order to ascertain the accuracy of the day's posting. After detailed check of the day's entries grand total should be compared with the cash and vouchers in hand. Thereafter, the daily trains cash-cum-summary book should be checked in detail checking each day's transactions in lump and checking the numbers of tickets with those actually in hand from

closing numbers recorded in the summary of train cash book for the last closed period. Credit taken by the station for non-issued tickets should be checked by comparing the numbers shown in the daily trains cash-cum-summary book with that given in the record copies of the statement sent to accounts for which signature of guard is required to be taken in guard's signature book. It should also be seen that non-issued tickets and cancelled passenger foils of all paper tickets have been sent to accounts office on the next day, and that the clerkage charges, where due have been recovered and accounted for under the head 'clerkage' and reasons for non-issue are recorded. It should also be seen that 'Money-Receipts' are invariably issued to passengers surrendering unused tickets and to whom fares have been refunded after deducting clerkage charges. The closed accounts should then be test audited in the summary of the trains cash books in the manner described in the beginning of this para for the dates selected. What is intended by this 'test audit' is that entries in the final 'amount column' should be cast and balanced with the cash remitted. Having thus ascertained that the cash has been remitted to cover the details exhibited in the account, a number of items should be checked for the entire period to prove further the account as a whole.

Finally, the daily trains cash-cum-summary book should be examined generally from the date of last inspection of traveling inspector of accounts of the current inspection to see that no corrections, erasures or other irregularities occur and that all corrections are properly authenticated.

**15.8 Usual cases of committing of frauds**

.The following are the usual frauds committed in connection with passenger tickets which the check laid down above should bring to light:

- (i) Tickets issued but not accounted for.
- (ii) Tickets issued and number accounted for but not the value.
- (iii) Cash temporarily or permanently misappropriated by under-casting the total of the daily trains cash-cum-summary book.
- (iv) Wrong number shown in the cash book and classification so as to make the value agree with cash remitted.

**15.9 Refund on tickets issued in advance**

The account of tickets issued in advance and on which refund is allowed by the station, should be verified in the daily trains cash-cum-summary book and the dispatch of non-issued tickets should be verified from the statement of non-issued tickets. The correctness of the amount refunded should be checked according to the extant rules. The date and train number by which reservation has been made and the time and date of cancellation of reservation should be verified from reservation register. It may also be ensured that the statement of refund has been prepared in the prescribed proforma, all the required particulars filled in and the refunds are acknowledged by payees.

**15.10 Blank Paper Tickets, Retiring Room Tickets, Bedroll Charges, Excess Fare, Telegraph, Soldier's Tickets, Luggage, Horse Carriages and Dog Tickets.**

These should be checked in detail in the daily train's cash book. In the case of luggage tickets, the passenger tickets quoted for free allowance should be checked in a few cases with the daily train's cash book to see that the tickets were actually issued. It should also be seen that the counterfoils of the tickets checked have been correctly filled in.

**15.11 Parcels (Outward)**

**15.11.1** Parcel way bills issued during the period under examination should be examined and all paid items checked into the parcels and luggage cash book, where this book is maintained, otherwise into the summary or daily trains cash book. It should be seen that the printed numbers are consecutive, that the date has not been

omitted and no way bills have been torn or removed, paid items are marked accordingly and that the realizations have been remitted on due dates.

**15.11.2 Parcels (Inward)**

Total amount of the parcels received 'To-Pay' should be tallied with the amount remitted and the amount outstanding on un-delivered parcels. For this purpose amount of undelivered parcels shown outstanding in the last balance sheet should be taken into account. The dates of arrival and delivery should be scrutinised and it should be seen that demurrage or wharfage which accrued under the rules has been correctly accounted for.

**15.11.3 Delivery Book (Parcels)**

Deliveries should be checked with the cash book to see whether there are any cases of temporary misappropriation or irregular remittances. Some collected receipts should be checked with delivery books and cash book, in order to verify the amount, date of delivery and remittance.

**15.11.4 Parcels Cash Book**

The totals should be checked at random. It should be seen that the book is closed and balanced and that the daily totals are correct. Total should be compared with General Summary. The cash book should also be examined generally for erosions and alterations.

**15.12 Left luggage and lost property register**

Compare the articles on hand with the entries in the register and left luggage tickets and note items of luggage on hand without issue of tickets. The left luggage tickets should be scrutinised to see that the storage charges have been correctly recovered, accounted for and remitted. Luggage transferred to lost property office should be verified with the record foils of outward free way bills. The total of the return should be checked & tailed with the amount given in balance sheet.

**15.13 Sundry Earnings**

All miscellaneous receipts, on account of ground rent, sale of unclaimed luggage and parcels etc. are remitted through the cash transmit notes of miscellaneous receipts. The counter foils of this should be checked with the summary to see that all amounts received have been correctly remitted.

**15.14 Collection of Tickets**

The collected tickets should be scrutinised to see that they are stamped with the date of collection and cancelled immediately after collection before they are sent to accounts office and that station and accounts returns are posted upto-date. It should also be examined that the number of missing tickets is not large and that charges in respect of irregular tickets are collected and that printed and paper tickets are not of expired date or for a station short of the collecting station and the numbers for each class and each station run consecutively.

It is not the duty of audit to undertake the work of collecting tickets all the gates and no attempt should be made to do this. Audit is concerned merely with seeing and watching that proper arrangements exist for the collection of tickets and if any defects are noticed they should be reported to the Railway-Administration.

**15.15 Tickets dating machine**

The dating machines should be examined to see that clear impressions are obtainable from them. This will guard against improper use of passenger ticket after date of expiry.

**15.16 Ticket stock books and indents**

It should be seen that the stock of tickets is in order and is kept in safe custody under lock and key. The indents should be compared with the ticket stock book to see that they agree. In addition, the entries in the ticket advises, filled at stations

should be compared with ticket stock books and indents to see that the entries in these books are correct. Blank paper tickets, Blank season tickets should be counted to ascertain (a) that there are no duplicate tickets on hand, (b) that no tickets are missing and (c) that tickets have not been issued out of series.

The ticket stock register should be checked to see that the books supplied have been entered and are brought into use in the serial order of their entry in the Register. It should also be seen that dates of completion are entered and unused stock of each kind of book is actually on hand.

**15.17 Goods Cash Book**

The goods cash book should be generally examined to see

- (i) That the book has been closed and balanced at the end of each day and signed by the goods clerk and the station master
- (ii) That the daily totals are correct. The totals for the period from last balance sheet submitted by the station up to the time of inspection and any selected four days of previous periods should be checked.

**15.18 Machine Prepared Abstract**

It should be ensured that machine prepared abstract of last month available has been reconciled with delivery book and the total of machine prepared abstract (after the adjustments) tallies with the corresponding entries in the last balance sheet checked. A few items appearing in machine prepared abstract should be traced into delivery books and vice-versa.

The following should be checked.

- (a) Difference in freight charges and/or weight shown in machine prepared abstract to correspond with the figures shown in delivery books. Correctness of such alterations/differences should be verified from the collected railway receipts.
- (b) The figures of additions and/or subtraction from the 'To Pay' and figures appearing in machine prepared abstract.
- (c) All Railway Receipts appearing in the machine prepared abstract but not taken into account in delivery books due to such railway receipts having been already accounted for in the previous month or duplicate entries in the machine prepared abstract.

**15.19 Delivery books (Goods)**

Collected receipts should be checked with the delivery book and cash book. Correctness of freight charged should also be checked. It should also be seen that the deliveries are acknowledged in the delivery books and dates of removal are invariably recorded. Totals of delivery book should also be checked. At stations where gate passes are in use these should be checked with the collected receipts and delivery books to see that the date of delivery and removal of consignments agree and that wharfage is levied on goods not removed within the time allowed.

**15.20 Register for railway materials**

A few forwarding notes should be scrutinised to see that the materials booked are railway stores and not private property.

**15.21 Test weighments**

- (a) It is an important part of inspection duties to make test weightment of goods; parcels and inward luggage waiting for delivery (See form 3). Where the halt at the station is of several days duration, test weighments need not be confined to articles on hand at the time of arrival. At a station where there is a weighbridge, a few inward loaded wagons should be re-weighed.
- (b) Attention should be given to parcels of perishable nature (Viz. fresh fruits, vegetables, betel leaves etc.) and bulky articles occupying more space but weighing less which may give greater charges on measurement basis.

(c) All undercharges should be mentioned in the inspection notes.

**15.22 Wharfage and demurrage**

It may be seen that the charges have been correctly levied and regularly remitted. Wharfage on rebooking consignments should be checked with the returns on hand. Occasional partial inventory of a few parcels/consignments on hand should be taken and checked with the unloading tally book, delivery book and gate passes (wherever maintained) to ensure that wharfage charges have been realized wherever due. The totals are correct and tally with the amount taken in balance sheet.

Similarly surprise test checks should be made to see that the wagons placed for loading/unloading are recorded in the respective wagon transfer registers, date and time of placement and release recorded. It should be seen that consignors/consignees/ handling contractors sign the wagon transfer registers. It should be ensured that dates and time of release have not been recorded in the transfer registers in the case of the wagons which are still in the process of loading or unloading.

A similar check should be exercised on the wagons and oil tanks placed in private/assisted sidings.

A few items in the wagon transfer register and siding vouchers/statements should be checked to see that demurrage wherever due has been collected and accounted for in the cash book.

**15.23 Cash remittance notes.**

These should be checked with the grand totals of Coaching and Goods earnings as per cash books for the period from the last balance sheet submitted by the station up to the time of inspection.

**15.24 Advice of Internal Check**

Refer Para 2754 A-II.

It should be seen that these advices are properly filed and that the last advice has been correctly dealt with by the station. A balance sheet of error advices should be prepared in Form 5 and outstanding over 3 months detailed.

**15.25 Old outstanding**

All items outstanding over three months should be scrutinised with reference to correspondence and accounts records to ascertain that the outstanding is genuine and proper action is being taken for its clearance. All such items should be detailed in the report with explanatory notes (Form 4).

**15.26 Check of closed months balance sheet (Coaching and Goods)**

The closed month's balance sheets (goods and coaching) should be checked with initial records to see that these have been correctly prepared the amount has been accounted for under proper heads, that full details have been given for special debits and particulars are correctly shown and balanced.

**15.27 Register of advertisements**

All entries of posters, plates, hoardings etc. in the register of advertisement should be checked with the lists furnished by the Commercial Publicity Officer, Prayagraj. An inventory of posters exhibited should be taken and compared with the register to see that time expired posters are duly removed.

**15.28 Register of stall keepers and vendors**

It should be seen that licence fees, cess, water and electricity charges have been regularly recovered and remitted and that valid agreements have been executed with all of them.

**15.29** Accounts of time tables, guides, railway service commission forms booklets of circular tour tickets, Identity cards and other publication supplied to the station for sale to the public.



It should be seen that proper registers are maintained for the accountal of these books and forms. The accountal of their receipts and sale should be checked to verify that the sale proceeds have been correctly accounted for and remitted. The balance of unsold copies should be verified by actual count.

**15.30 Retiring rooms**

The retiring rooms register should be examined to see that

- (i) Retiring room tickets of correct denomination (single bed, double bed and dormitory) are quoted against the respective entries of various types of rooms.
- (ii) The dates and hours of occupation and vacation are shown.
- (iii) Correct charges for the entire period of occupation are recovered and remitted.
- (iv) The occupant's address and signatures are recorded and
- (v) The retiring rooms are not allowed to be occupied beyond the prescribed period

**15.31 Register of plots given to outsiders on rent**

The register should be checked to see that

- (i) The agreement or proper authority for leasing out the land is available at the station.
- (ii) That land or plot has been properly demarcated.
- (iii) There are no encroachments or unauthorised stacking on Railway land.
- (iv) The land is used for the purpose for which and by the person or party to whom it is let out.
- (v) The rent is duly recovered and remitted and particulars of remittances noted in the register.

**15.32 Wagon registration fees register**

It should be seen that:

- (i) The amount of registration fee for requisitioning wagon has been collected correctly and remitted and accounted for.
- (ii) The wagons have been allotted according to priority of entries in the Priority Register.
- (iii) The money receipt has been collected in case of refund and acknowledgement of the payee obtained both on the back of money receipt and in the Register.

**15.33 Check of accounts of chief ticket inspector.**

It should be seen that the blank EFT Books received from the stores department have been entered in the stock book and the books, supplied to the TTEs have been recorded. In case of completed books the date of completion is given and the used books are in custody. In case of transfer of partially used books between the TTEs it should be seen that suitable remarks are given in the Stock Book. The stock of unused books should be verified. The remittances made by the TTEs should be checked. Remittances made at the headquarters station should also be traced in the summary of coaching transactions. Delay in deposit of earning in respect of EFT should also be checked.

**15.34 Review of restrictions in booking**

Restrictions imposed for booking to the station inspected should be examined to see that these were not imposed due to inefficiency of operations or of handling agency or delay on the part of consignees in unloading and taking delivery of the consignments. Action taken by the railway administration for disposal of consignments after the expiry of 7 days up to which railway is responsible as bailee with a view to reduce or eliminate congestion may also be studied. The adequacy of action taken to remove the restriction quickly and remedial measure taken to avoid imposition of similar restrictions in future should also be reviewed.

### **15.35 Review of utilisation of Rolling Stock**

It should be seen at transshipment points that

- (i) The loaded stock of one gauge was not detained due to non-availability of matching stock of another gauge.
- (ii) There was no unnecessary haulage of empties to and from the transshipment points and
- (iii) There was no under utilisation of Goods Stock due to irrational placement and loading of wagons

It should further be seen at transshipment or repacking points that detention to parcel vans and wagons was not caused due to inefficiency or inadequacy of supply of labour by the handling contractors. The progress report attached with the handling bills should also be verified with the basic record of placement and removal of wagons/parcel vans.

At transshipment points or marshalling yards, it should be seen that trains were formed in time and were not delayed after formation due to want of power, crew, guard or path, if so, reasons should be examined from the records of station running side/control office.

At interchange points with foreign railways it should be seen that the goods trains were not detained or stabled short of interchange points or started late from that point.

### **15.36 Finalisation of Inspection Reports**

The officer incharge of the inspection must discuss the preliminary observations slips (rough audit notes) with the Station Master and obtain his remarks against each para of the draft report before leaving the station.

The inspection notes shall be classified as special letter, part-I inspection report and part-II inspection report in accordance with the instructions contained in para 461 & 462 of RAM. In no case part-I Inspection report and special letter should be issued without prior approval of PDA (para 468 of RAM).

## COMPENSATION CLAIMS

### 16.1 Scope of Audit

- (i) The audit of compensation claims cases passed by claims office located at Prayagraj is conducted by the Compensation Claims Audit Section located at Prayagraj. The scope of Audit of payment by the Railway Administration towards compensation for parcels or Goods lost, damaged etc. has been prescribed in para 177 of the RAM.
- (ii) The audit of legal charges arising out of compensation claims cases is also to be done by this section.
- (iii) Special investigation based on an overall review of the list of admitted claims are also to be undertaken by this section. For this purpose commodity wise and cause wise lists prepared by the Railway Administration should be consulted for selection of the Special Investigation.  
**Note:** The AAuO/SO should personally review the claims cases and conduct other reviews, the result of each investigation together with efficiency of the preventive measures if any taken by the Administration will be submitted to PDA for his/her information.
- (iv) Review of suspense registers maintained by Accounts Office is also conducted by this branch.
- (v) Journal Slips –Audit of.
- (vi) Audit of miscellaneous bills regarding legal charges and other payments passed by Compensation Claims Accounts Office as for as the Statistics on Compensation Claims are concerned.
- (vii) Review of Annual Narrative Report.
- (viii) On North Central Railway the Claims Audit section has been placed under the direct charge of Group Officer.

### 16.2 Review Of Compensation Claims Cases

Refer para 2313 to 2314 Accounts Code Volume II and para 177 of RAM, relevant clauses of the Indian Railway Act 1890 as amended from to time, Indian Railways code for the Commercial Department, Coaching, Goods, Military and other Tariffs, conference Rules Part II and Local Manuals etc.

After the selection has been made, the connected files should be obtained from the Claims Branch. The following points should be seen while reviewing these cases:

- (i) that the claim for Compensation has been made by the proper persons and within the prescribed time limit;
  - (1) a claim for Compensation is to be preferred with in 6 months from the date of booking failing which the claim becomes time barred for consideration (2) claims for sale proceeds are to be preferred within three years of the date of booking .(3) claims as between Railways are to be made within 12 months of booking (under Conference Rules);
- (ii) that full investigation has been made by the Railway Administration to see that the loss or damage for which compensation has been claimed is real, and that the amount claimed does not include profits;
- (iii) that claims paid on the basis of indemnity bonds in the absence of original Railway Receipt have been specially examined to see whether thorough investigation has been made by the Administration to obviate the possibility of double payment;

- (iv) that proper action has been taken to locate the responsibility for loss or damage and in cases in which losses or damage have occurred through carelessness or misconduct of the Railway servant, suitable disciplinary action has been taken against the persons responsible;
- (v) that in cases in which the damage or losses is proved to be due to lack of proper instructions for packing, loading, marking etc. steps have been taken to remove the defects;
- (vi) that in the case of consignments booked at owner's risk, the protection afforded by the risk note or notes executed has been fully utilised;
- (vii) that in case of through booked consignments the liability has been transferred to the foreign Railway/Railways concerned in those cases in which investigation has proved that the losses occurred on a foreign railway or that foreign railway staff was responsible for the same;
- (viii) that the railway administration have borne in mind the views expressed by the particular High Court in whose jurisdiction the case falls;
- (ix) that the claim is supported by the original documents as required under the rules;
- (x) that the particulars of booking and the name of the consignee or consignor are correct and duly verified by the Traffic Department;
- (xi) that in the case of damage, full details of assessment of damage such as Beejuck rates, market rate, percentage of damages have been given by the Commercial Department.
- (xii) that the claim has been settled at the Beejuck rates value of the goods only, and where this was not possible at such rates as were considered reasonable merits of each case;
- (xiii) that 'to pay' freight charges and wharfage/demurrage wherever due have been deducted from the amount of claim settled;
- (xiv) that the amount of compensation paid was correctly determined;
- (xv) that the original Railway Receipt was surrendered by the party and cancelled to prevent double payment;
- (xvi) that the incidence of the claims as between the Railway was correctly determined and allocated under conference rules;
- (xvii) that the claim was sanctioned by the competent authority;
- (xviii) that following additional points may be seen while reviewing claim cases settled by courts of law.
  1. that the Railway Administration has been contested the suit on sufficient strong grounds.
  2. that the legal officers advice had taken in doubtful cases to verify that the suit was otherwise technically in order or not.
  3. that the Railway Pleader had properly defended the suit and the same had in no way been lost due to lapses on his part.
  4. that the suit had not been lost on account of the fault of the staff.
  5. that the amount of decree, interest, cost etc. is arithmetically correct.
  6. that suitable measures have been taken to remedy the defects on the part of the Administration as pointed out by the court and to avoid recurrence of such cases.
  7. that full consideration was given to the question for going in for an appeal against the judgment of the lower court and the opinion of court, Railway Pleader and that of solicitors or experts opinion wherever necessary was obtained before accepting decree.
  8. that in cases in which it was decided to go in for an appeal, the decretal amount was not directly paid to the party but deposited in the concerned court pending decision of the appellate court.

9. that all the references receipt from the Railway Pleader seeking certain information was urgently dealt with and the required information was conveyed to him with the least possible delay.
10. that the notice of suit was served on the proper party as required under the provision of section 80 of Civil Procedure Code.
11. that the claimant was the proper party and had a title to sue.

Note: Suits for compensation for damages etc. have to be filed within one year, under Article 30 and 31 of the Limitation Act and the suits for refund of freight and sale proceeds etc. and for other claims within three years from the date of the cause of action vide Article 62 of Limitation Act. In this connection, Section 80 of Civil Procedure Code regarding limitations for filing the suits by the plaintiffs against the Government may also be seen.

### **16.3 Check of claims cases settled by court of law**

Under section 80 of the Indian Railway Act, the plaintiff can file a suit only against either the contracting Railway alone or against the Railway on which the loss or damage has occurred.

While scrutinizing cases wherein appeal against the judgment of a lower court had been filed, it may be seen: -

- (i) that the appeal had been filed strictly on commercial consideration.
- (ii) that the Law Officer's opinion had been obtained and he was in favour of filing the appeal. In cases of high valuation or involving principles or creating bad precedents, the Railway solicitor also had been consulted.
- (iii) sanction of the Railway Board is necessary for either appealing or defending an appeal in the Supreme Court of India.
- (iv) that in case other than the above, the Railway Board's prior approval had been obtained; and
- (v) in case of regular suits, the party losing the suit has a right to two appeals.

In reviewing the suit compromises out of court in connection with compensation claims, the following points should be seen :-

- (i) that the compromise was justified from the legal point of view and that looking to the circumstances of the case, if a compromise was reached it was in the interest of the Railway Administration.
- (ii) that the suit was free from all technical defects and there were seldom chances for the Railway Administration to succeed in the suit.
- (iii) that besides Railways Pleader, the advice of the Law Officer was also obtained.
- (iv) that in case the party did not agree for a reasonable amount, full advantage was taken of the weak points of the party to bring him to terms.
- (v) that the compromise was generally negotiated at the Beejuck value or for the actual amount of loss sustained by the party, whichever is less.
- (vi) that in case of compromise being initiated at an early stage of the suit with the proposal to pay cost and lawyers fees to the party, a percentage of such charges was allowed in case of such courts where court fees are refunded on a percentage basis, if the suit was compromised after a few hearings.
- (vii) that the compromise was negotiated with the prior approval of the competent authority.
- (viii) that in case, the suit was contested on behalf of another railway; a compromise was accepted only after the approval of the railway concerned.

### **16.4 Review of registers of Staff responsibility maintained by the Divisions and Claims offices**

While reviewing the compensation claim cases, the cases where the divisional staff is found to be responsible and the matter is reported by the claims office to

the Divisional Railway Manager concerned full particulars should be intimated by the compensation claims audit section to the concerned Divisional Audit Officer for further action.

**The register of staff responsibility maintained in the Divisions in connection with the Compensation Claims Cases is to be reviewed by the respective Divisional Audit Offices in the course of their annual inspections of the offices of Divisional Commercial Manager. The staff responsibility registers maintained by the Chief Claims Office at Allahabad would be reviewed in the course of instructions by Inspection Headquarter Section, Allahabad.**

**16.5 Review of Annual Narrative Report**

The data relating to the payment of compensation claims available in the Annual Narrative Report should be reviewed to see if any general conclusions can be drawn and usefully presented to the Executive.. The results should be put up to the PDA for information and orders if any.

**16.6 Review of Miscellaneous Advance Register**

This register is operated for the purpose of temporary booking of the following type of transactions :-

- (i) Charges the allocation of which is not known or which can not immediately be carried to a final head.
- (ii) the amounts of claims paid on behalf of other Railways pending acceptance of liabilities.
- (iii) part amount of claims paid for which other Railways are responsible under Conference Rules or misdespatch convention pending acceptance of liability by other Railways.

## CHAPTER 17

### INSPECTIONS

#### 17.1 General

a. The instructions contained in Section VI of MSO (AUDIT) II Edition, 2002 and in Chapter XXI of RAM should be borne in mind.

b. The primary object of local inspections is to apply a test audit to such accounts and vouchers etc. as are not audited or cannot be completely checked during the central audit conducted at the Headquarters and to see that the initial documents on the basis of which the bills and accounts are rendered or compiled by the local offices, are properly maintained.

The officer-in-charge of the Section/Division will normally supervise the inspection conducted by his Section/Division. The PDA may order that some of the inspections shall be supervised by the GO. For this purpose, the Co-ordination Section will submit to the PDA, before 10<sup>th</sup> of each month, a list of important Inspections to be carried out by the different offices in the subsequent month. The list should also indicate the time prescribed for BO's supervision for each inspection.

c. The PDA may also order the supervision of inspection of minor stations etc., by Sr.AuO if necessary.

d. As regards the inspections by the Accounts Department, the Inspection Section is responsible to see that appropriate instructions are laid down for the conduct of such inspections, duly providing an element of surprise in cases where necessary. It is also to be ensured that the Accounts Inspection staff carry out a properly prescribed programme. The inspection reports issued by the Accounts Department will be reviewed to see whether any material exists for making suitable comment in the Audit Report (Railways).

#### 17.2 BOs supervision

The extent of supervision by Sr.AuO in respect of inspections is furnished below:

For non-personnel portion of Executive Offices -	80%
Traffic Audit – Very Big	100%
Big Stations	50%
Major stations	NIL
Inspection of sub-offices	

Guidelines approved by PDA w.e.f. 01.04.2013 vide letter no. C/4-1/AIP/NCR/13-14

Prior approval of the GO for selection of sub-offices is to be obtained. Inspection of sub-offices in charge of subordinate staff need not ordinarily be supervised by Branch Officers as a routine measure. However, if the BO feels that supervision of any particular sub-office by him is necessary for any special reasons, this may be done with the prior approval of PDA.

#### 17.3 Allocation, frequency & duration of inspection

a. In regard to allocation of various offices for purposes of audit inspections, the general principle is that all offices etc. falling within the accounting unit of an Accounts Officer shall be inspected by the Corresponding Audit Office.

b. The local inspections of accounts of different Railway Offices, Stores Depots, Workshop etc., are conducted by the respective auditing sections responsible for the test audit of their accounts. However, the inspection of the accounts of the branches having headquarters office at Allahabad are conducted by Inspection section at Headquarter. The inspection of catering mobile units may be done only with prior approval of Principal Director of Audit and should not be included in

the normal inspection programme or tour programme.

The frequency of inspection of various offices has been fixed as under :-

**Annual**

- i) Inspection of all important executive offices and HOD's of all branches, such as Electrical, Mechanical and Personnel, Signal and Telecommunication, Way and Works Branch, Commercial, Operating, Security, Medical etc.
- ii) Receipt and dispatch section of stores depots and D.S.-8 yards (Scrap section)
- iii) Executive offices of construction organization
- iv) Works Managers Office
- v) Base Depot of Catering
- vi) All Hospitals under Administrative control of J.A. grade officers and above
- vii) Surprise verification of only one of the cashiers
- viii) Major shops in Workshop (See also para 12.37 of Workshop Audit)
- ix) Railway Claim Tribunal

**Biennial**

- i) General Branch with one primary school
- ii) Divisional Pay Master/Cashiers Office
- iii) Assistant Material Manager's Office
- iv) Railway Recruitment Board
- v) Very big stations having earning 10 crores (Goods) & 20 crores (coaching)

**Once in Three Years**

- i) Railway Power House
- ii) Superintendent – Government Railway Police with one sub ordinate (Pass Accounts)
- iii) Hospitals under the Administrative control of Senior scale officers
- iv) Big Stations having earning 5 crores to 10 crores (Goods) & 10 crores to 20 crores (coaching).

**One in Four Years**

- i) Every Gazetted officer in independent charge outside divisional office
- ii) Every Railway Training School, subsidized hostel, every railway education school (other than primary or middle school), technical training school
- iii) Railway Catering units
- iv) Major Stations having earning of Rs. 2 crore to 5 crores (goods) & 2 crores to 10 crores (coaching)
- v) Assistant Divisional Security Commissioner
- vi) Assistant Divisional Medical Officer (including Health inspector and Malaria inspector)
- vi) Dy Chief Chemist and Metallurgist.
- viii) Statistical Branch
- ix) Sr. Section Engineer/Section Engineer (Electric) Openline and Construction
- x) Sr. Section Engineer/Section Engineer/Train Examiner
- xi) Yard Master
- xii) Chief Controller/Dy. Chief Controller

**Once in Five Years**

- i) All Training Schools.



Refer Para 425 of RAM.

The annual programme of inspections relating to each Section/ Division will be prepared before the commencement of the financial year. The following instructions should be borne in mind while preparing the programme of inspection:

**a.** An upto-date list of all the executive offices etc. (including sub-offices under each) coming within the corresponding accounting units shall be called for from the Accounts Office, to prepare the programme of inspection.

**b.** The periodicity for conducting each inspection as prescribed shall be correctly followed and all offices due for inspection during the following year shall be included in the programme of inspection for that year.

**c.** As per the revised audit norms, sub-offices of Engineering, Mechanical and Electrical Departments of Open Line are to be inspected biennially. For construction wing, the subordinate offices shall be covered during the inspections of Dy. Chief Engineer level offices.

**d.** The man-days required for each inspection shall be worked out on the basis of the standard time fixed by the C&AG of India or by the PDA, where no standard time has been fixed by the former. The time normally allowed for inspection of sub-offices is one day for the inspection party consisting of one AAuO and one Auditor. But in the case of Engineering offices such as, Section Engineer (Works) or Section Engineer (Permanent-way) the number of days allowed is 2. In respect of Running and Train Examining sheds, the inspection party may consists of one AAuO and 2 Auditors and the time allowed may be increased to 2 days for each sub-office.

**e.** The programme of inspection shall also include the review of track renewal works costing over Rs.1 core but less than Rs.5 crores and all other works of Rs.10 crores & above – 5% of completed works for 4 days with 50% BO's supervision.(Guidelines approved by PDA effective from 01.04.2013).

**f.** The programme of inspections shall be drawn in such a way that the work load is evenly distributed over the whole year.

**g.** The Inspection proposed to be conducted both by the Audit Office and Accounts Department shall be programmed in such a way that there is reasonable time interval between the two inspections, so that the executive offices etc., do not have undue strain.

**h.** The draft programme of inspections shall contain:

The month in which each inspection shall be taken up the particulars of sub-offices to be inspected and the total number of man-days required for each inspection.

**I.** A complete list of offices (including sub-offices) required to be inspected by the Section/Division, together with the year of previous inspection and also the year in which the inspection again falls due, shall be appended to the draft programme of inspections. The draft programme thus prepared shall be submitted to the PDA through the Co-ordination Section by the second week of December every year. The inspection programme should be submitted in the prescribed proforma (Annexure). The Co-ordination Section shall scrutinise the programme of inspections submitted by the various Sections/Divisions and submit the same to the PDA, for approval. The programme of inspections as approved by the PDA shall be communicated to the concerned units by the Co-ordination Section. The Divisional/Branch Audit Offices on receipt of the approved inspection programme will forward a copy of the same, omitting particulars of surprise inspections if any, to the concerned Accounts Offices for information.

## **17.5 Monthly proposals for inspection**

Based on the approved programme of Inspections for the year, proposals for taking up inspections due for a month will be submitted to the Group Officer for approval, by 20<sup>th</sup> of the previous month. After the proposals are approved, necessary intimation regarding the probable date of commencement of inspections will be sent to the Head of the office to be inspected so as to enable him to be in readiness. No such intimation is required in regard to surprise inspections. The inspections in general should be commenced sufficiently early and should not be carried forward to the following month. In respect of inspections/reviews requiring additional AAuO the concerned units will address the Sr.AuO/Co-ordination/Prayagraj before the 22<sup>nd</sup> of the previous month to enable him to nominate the second AAuO. The month of accounts for detailed scrutiny during the inspection as also one more month for tracing in respect of direct delivery stores will be got selected by the BO. Whenever possible the required paid vouchers etc. should be obtained from the Accounts Offices and taken to the office to be inspected for scrutiny.

### **17.6 Progress Register of Inspections**

Refer para 426 of RAM.

A Register should be maintained showings :-

1. Serial Number
2. The name and designation of the officer;
3. The date of last inspection by the Accounts staff and audit staff;
4. The name of the Sr.AuO and Audit staff who conducted the last inspections;
5. The dates of the present inspection from ----- to -----;
6. The name of the Sr.AuO/AuO and Staff;
7. The month(s) of accounts checked and the period generally covered;
8. The date of submission to BO of draft inspection Report by the head of the party;
9. The date of submission to GO /PDA;
10. Date of approval;
11. Date on which sent for type;
12. Date of return from type;
13. No. & date of issue of Inspection report;
14. Particulars of remarks issued;
15. Date of receipt of first reply;
16. Date of issue of further Audit remarks;
17. Particulars of further correspondence;
18. Date of closure of Inspection report.

**17.6.1** Progress register of inspection along with summary shall be put up to the BO during the first week of each month. A sheet of progress report on inspections carried out during the previous month shall be prepared and submitted to the co-ordination section every month by each inspecting unit. This progress sheet shall indicate the name of the office inspected during the previous month, the dates proposed for inspection, the actual date of inspection and the details of the inspection reports issued or under finalization. This inspection report shall also indicate the position in respect of inspections and inspection reports relating thereto carried out earlier than the month to which the progress report relates.

**17.6.2** The reason for delay in the issue of the inspection report, if any, should be indicated against each office inspected. This progress sheets should be sent to co-ordination section by 5<sup>th</sup> of every month.

**17.6.3** The co-ordination section will receive such progress sheets of inspections and after compilation thereof make necessary entries in the register of inspections maintained in the co-ordination section and submit the same to the PDA by 15<sup>th</sup> of

each month.

- 17.6.4** The register will be submitted to the DAI (Railways) during his/her tours and will be reviewed by the PDA and the DD at the time of their visit to the Divisions/Branches.

(Circular letter No.C/8-16/54 Dt.10.03.1964).

**17.7 Points to be seen during inspections**

Paras 430 to 452 of the RAM contain the important points to be seen during the inspection of the various offices etc. Certain additional important points to be seen during the inspections are given in Appendix I & II.

It is, however, to be noted that the items contained in the RAM and the various appendices are not exhaustive. Any other points coming to notice during the inspection shall also be examined in detail. Besides, this, special points ordered by the PDA, GO or other BO or specially advised by other Sections shall be noted in the "Register of points to be seen during inspections" and such points shall also be looked into and the action taken thereon recorded in this Register.

**17.8 Procedure for inspection, finalization & issue of inspection reports**

**17.8.1 Advice of Inspection**

Advice of inspection should be sent in the proforma prescribed (Form No.(a)) copy being endorsed to the Accounts Officer concerned) at least fifteen days in advance to the Head of the office to be inspected, who should be requested to make it convenient to be present at Headquarters on the dates advised in order that the points raised in the draft inspection report may be duly discussed and settled on the spot as far as possible. Inspection advices may be signed and issued by the BO concerned as "for PDA". In the case of surprise inspections like inspection of stations etc., which are to be conducted without any notice, no advice need be issued.

**17.8.2 Distribution of work during inspection**

The points to be seen during the inspections and the documents to be inspected will be prepared and recorded in the Register of items to be seen during inspections before the audit inspection party leaves headquarters. All these items shall be covered completely in the Audit conducted by the BO, AAuOs and Sr.Ar during the Inspection. The items for original audit by the BO and by the AAuOs shall be got selected by the BO as the case may be and for this purpose the items so selected during the previous two inspections shall also be indicated in the register for the information of the Officer making the selections. The remaining items shall be distributed among the Senior Auditors. On completion of check of items, the concerned official shall initial in the register against the items selected for him, in proof of such completion. The register should contain at the top, the month of Inspection, Name of the Office inspected, Month of Accounts selected for detailed check, month of accounts selected for tracing of stores bills, composition of inspection party; their names and designations. As per revised norms important and specific items of checks during inspection of construction units are given in the Appendix II.

**17.8.3 Procedure for inspection**

Before leaving Headquarters, the Inspection Party should study the last Audit and Accounts Inspection reports of the office concerned to see whether adequate action has been taken on them by the executive and whether there is any point still outstanding. The Register of points to be seen during inspection as kept in the section, should be consulted before proceeding on inspection, and a note of such points, if any, taken with the inspection party. The paid vouchers and other documents to be seen during inspection should be obtained from the Accounts Office and taken to the office concerned for scrutiny. The AAuO in-charge of the

inspection party should report to the head of the office before actually commencing the inspection. It should be seen that all papers and documents required by the Inspection party are produced. If for any special reasons a document or record is not made available to audit for scrutiny during inspection, the fact should be specially mentioned in the inspection report with a view to the documents or record being obtained subsequently for check. This is of utmost importance as any laxity in this regard might lead to Audit failure in satisfying about the correctness of the transactions. The records of the outlying sub-offices should ordinarily be obtained at the Headquarters of the main office and checked there.

#### **17.8.4 Presence of Inspecting Officer at Inspection and his duties and responsibilities**

Each inspecting officer is expected to guide his staff to examine and with reference to the initial documents all important points raised by his Staff and to review the outstanding objections. He should be present on the spot of inspection for the duration prescribed and take up the examination of important cases and a review of accounts as is necessary to enable him to certify the general correctness of the Accounts. The time thus spent by the Inspecting Officer and inspections party should be fully utilized to discuss matter freely with the local railway officers and to acquire an intimate knowledge of the problems and difficulties of the executive, so that audit comments may be realistic and not remote from practical policies.

##### **a. Personnel Matters.**

The inspection may be conducted by one AAuO and one or more Sr. Ar. The Inspection Report may be finalized by AAuO and issued over the signature of Sr.AuO (subject to approval of Part-I Inspection Reports by PDA).

##### **b. Non-personnel Matters.**

Inspection will be conducted by AAuOs with one/two Senior Auditors. The extent of supervision by AuO is 80%. The existing composition of parties viz. two AAuOs and one Sr. Ars for important offices remain unchanged. The Preliminary Observation Slips proposed by the Sr. Ars and AAuOs are to be issued to the Executive department under Sr.AuO's signature only.

On completion of the inspection the BO/AAuO should write out the final draft inspection report himself and a note in form No. (b) indicating the items of the report containing important objections and potential cases for the Audit Report should be submitted to the PDA along with the Inspection Report.

#### **17.8.5 Preliminary Observation Slips (POS)**

i. The notes on audit objections as a result of the local inspection of the initial vouchers and records of the Executive and Administrative offices should, in the first instance, be written out in duplicate by carbon process.

ii. In writing out the POS, particular attention should be paid to the form in which apparent irregularities are initially brought to notice. These should ordinarily take the form of enquiries as to the circumstances giving rise to cases noticed by Audit and should refrain from pre-supposing on incomplete data a definite loss, infringement of rule or wrongful action on the part of the executive. The language used should be polite, courteous and inoffensive. In connection with the points taken up in the POS, the examination of the documents should be as thorough as possible and complete information gathered and recorded.

iii. As frequently as possible and at least once a day, the POS covering objections should be given to the person in-charge of the office under inspection for offering his remarks on the same day or on the next day.

The Inspecting Officer or the subordinate in charge of the inspection, on going

through these remarks of the executive will drop any objection if the explanations are satisfactory or if requisite action is taken during the course of inspection. In the case of inspections that do not require supervision by Sr.AuO, the Inspection mema will be issued by the Sr.Ar/AAuO.

**17.8.6 Draft Inspection Report:**

The Draft Inspection Report should be prepared from the POS before the inspection party leaves the station and shown to the Officer-in-charge of the office inspected and discussed with him. The Inspecting Officer should record the fact of his having discussed the report with the Head of Office in the Inspection Report itself. If the Head of the Office inspected is not a gazetted Officer i.e. Stores Depot, refreshment rooms, power houses, running sheds etc. and satisfactory explanation is not forthcoming from the subordinate in charge of the office inspected, the report, if considered necessary, may be discussed with the Administrative Officer in charge of the unit inspected. During discussion, the inspecting Officer or the subordinate in charge of the inspection should try to get all the facts and explanations and settle the objections as far as possible on the spot.

**17.8.7 After discussion of the report, the following procedure should be observed**

The points which have been satisfactorily explained and settled on the spot should be separated. The points relating to accounts procedure should be deleted from the report and taken up with the Divisional or Branch Accounts Officer separately. From the remaining points, the final draft inspection report should be prepared in two parts viz. Part I and Part II and dealt with in the following way:

**a. Procedure to be followed while submitting draft inspection. Approval.**

During the course of review of recently issued inspection reports by the principal Director of Audit, NCR, he has instructed to comply with the following guidelines while submitting draft inspection report to the Co-ord. section for approval.

The paragraphs in the Inspection Reports relate to expenditures and receipts. These paragraphs also include expenditures and receipts made across several years. These paragraphs could also include observations on expenditures and receipts not forming part of railway account. The outputs of transaction Audit are required to be used as input for certification.

Accordingly, the following instructions are issued.

(i) In the left hand margin against each paragraph, the details of accounting classification, period of accounts to which the receipts and expenditure pertain and amounts should be indicated.

Period of Account	Accounting Classification	Amount Rs.
		(Total)

(ii) At the bottom of the paragraph, the details of bills, vouchers and challans should be given as under:

Voucher/Challan No.	Month & Year	Accounting Classification	Amount Rs.	Remarks


- (iii) Where the nature of objection is such that either of the tables in (i) & (ii) above are not attracted then words “NOT APPLICABLE” be written across the table structure.
- (iv) Where the required details on the table (s) are not available/made available, the requirement or information may be reflected in the draft inspection report and inspection report by suitably adding a paragraph before the table.
- (v) The inspection report after issue would be used for incorporating these details in the two tables in the objection register.
- (vi) Status of settlement of the Inspection Report paragraphs would also require updation in the objection register.
- (vii) The status of pending paragraphs of old inspection reports should be submitted along with the Inspection Report including recommendations.
- (viii) The inputs in the objection register and Inspection Report should be used for certification of Financial statements submitted by Associate Finance.  
(POO.No.9 dt.27.08.2015)

**b. Issue of Inspection Reports and Audit Notes and their disposal.**

Keeping in view the general principals and rules laid down in the various para of the Railway Audit manual, the following procedure is to be followed for raising and pursuance of audit objections. The results of Audit during Central Audit and Local Inspections will be classified in accordance to the instructions contained in the para 456 and 457 of the Railway Audit Manual. The Audit shall be conducted by the field inspection units as at present.

1. The Audit should be against provisions of Railway Audit Norms, Railway Audit manual, Financial Attest Audit Manual, and utilize the provision of the Indian Railway’s Financial Codes and Accounts codes for Audit criteria.
2. At the commencement of the Audit of any Auditable entity, the inspecting officer will hold a meeting with the officer in charge of the auditable entity. There may also be a meeting with officer in charge of auditable entity at the close of audit by the inspecting officer. The objectives of these meeting are given in the Regulation Nos.183 and 191 of Regulations on Audit and Accounts. 2007.
3. Minutes of these meetings should be signed by the head of the audit party, head of the audit entity including head of the office. Head of the auditable entity in case of the Inspection of Sr. Section Engineer is the Sr. Section Engineer and head of the office is Assistant Divisional Engineer, Similarly, head of the auditable entity in case of the Inspection of station is the CBS/CPS/CRS/CGS etc. and head of the office is Station Superintendent/Manger.
4. During the audit, if any discrepancy noticed, it should be invariably

issued first in the form no POS with the no. of Pos in serial, its date, and signatures of the audit official. The POS should be addressed to the head of auditable entity in the first instance.

5. On the concluding day of the audit, all the POS should be submitted to the head of the office with a request for discussion and furnishing remarks.
6. The write up of the audit objections should be sequential as 'the rule position': actual finding i.e. deviation: audited entity remarks and the conclusion i.e. what action is desired.
7. On the completion of audit or Inspection the Assistant Audit Officer will submit to the Branch officer for his/her scrutiny the relevant document together with draft Specific Reports, Inspection Reports and Audit Notes. The scrutiny of the draft objection by the Branch Officer should be made carefully. In particular it should be seen that an effort has been made to secure all relevant information and that the objection is not hypothetical or a mere inquiry for further information.
8. The results of Central Audit and Local Inspections will be communicated in the form of a Specific Report, and audit note or an Inspection Report. Only the more important and serious irregularities of the nature should be incorporated in a Specific Report. An audit note or Inspection Report will consist of two parts, viz, part I dealing with the more important matters and part II dealing with minor and routing points. Branch officer will have to judge that which of the audit findings are to be included in the draft specific report, Part I or Part II.
9. Specific Report is also intended for systematic deficiencies and issue of serious nature capable of being included in Audit Report of Comptroller and Auditor General of India. Since the monetary limit of Draft para is Rs.05 crore, the Specific Report proposed on basis of individual irregularities on monetary value should normally not be less than Rs.2 crore. Issues systematic deficiencies, cases of suspected frauds/corruption are to be covered under part I and specific Report irrespective of Financial ceiling suggested here in.
10. The money value of cases issued through part I Inspection Report/Audit Note should normally not be less than Rs. 2 lakh. All recoveries in excess of Rs.10 lakh of staff and Rs.2 lakh on non staff will go to Part I. Issues of systematic deficiencies, cases of suspected frauds/corruption can be covered under part I and not restricted by the financial ceiling suggested here in.
11. All recoverable below Rs.10 lakh in case of staff should in the first instance go to part II. In case rectificatory action is not taken within six months, then during six monthly reviews as per Para 471 of RAM for part ii objections, these would be transferable to part I. For recoveries pertaining to outside parties similar approach would be at threshold of Rs.2 lakh.
12. Compliance should be ensured regarding correct top sheet with draft Specific Report/part I Inspection Report as prescribed in the item No.9.3 of the Railway Audit Norms 2003 duly filed in all the desired information along with the details of the paras i.e. subject, amount involved, contribution by etc. in a Note form at the top of

the draft Specific Report/part I Inspection Report together with the inclusion of the disclaimer statement. The Report should also include description of the scope, coverage, objective, and areas of Audit in the introductory part of the Specific Report/part I Inspection Report.

13. The draft Specific Report and draft part I cases will be submitted to the Group Officer for the approval within the three days of the completion of audit.
14. After finalization of the Specific Reports and part I cases by the Group officer with the assistance of Branch officer attached with the group officer, the same would be submitted to the principal Director of Audit for approval.
15. Specific Reports, if approved, will be issued by the Co-ordination section as a special letter under the signature of the Principal Director of Audit and addressed to the General Manager. Copies will be enclosed as at present with a copy to the concerned Branch Officer of the Concerned Audit unit.
16. The approved part I cases will be issued under the signature of the Group officer from the Co-ordination section to the head of the Division i.e. DRM/Workshop i.e. CWM etc. with a copy to the concerned Branch officer of the concerned Audit unit in addition to present endorsements.
17. Part II cases to be finalized and issued within the prescribed time at the level of Branch Officer as per procedure laid down in para 466 of Railway Audit manual and to be arranged to be issued to the head of the concerned Audited entity with endorsement as at present through the Branch officer in charge of the appropriate Audit unit corresponding to the Finance and Accounting unit of the audited unit.
18. If draft Part I Inspection Report is being submitted for approval, a list of part II Inspection Report Paras should be incorporated in the draft part I Inspection Report as a last para. This paragraph incorporating the contents of part II Inspection Report should include the paragraphs under three distinct sub groups viz. recoveries from Railway staff, recoveries from others and other issues. Otherwise, if there is no part-I Para in the Inspection Report then a Report is to be submitted that there is no finding during the inspection which is likely to be proposed through part I Inspection Report duly incorporating the list of part II Inspection Report paras. Nil Report for specific Report to be submitted to the Group Officer in each Inspection where there is no material worth incorporating a Specific Report.
19. Rough Audit Notes will be dealt with in accordance to the instructions contained in the para 466 of the Railway Audit manual.
20. Petty objections will be dealt with in accordance to the instructions contained in the Para 460 of the Railway Audit manual.
21. Compliance to the instructions contained in the para 458 of the Railway Audit manual regarding non-specifying the period of which the accounts were test checked in the Inspections Report should be ensured.
22. The Specific Report (Special letter) will be closed after the approval of the principal Director of Audit.



23. The Part –I Inspection Report/Audit Note will be closed after the approval of the Group officer.
24. Review and closure of the part-II cases will be dealt with in accordance to the instructions contained in the para 469 to 471 of the Railway Audit Manual.
25. The Branch officer will actively take part in closure of part-II paras through agreement or disagreement with the Accounts. If, there is any disagreement over any issue, the decision of the Group officer will be final. For this, Group officer is required to identify steps that will satisfy the need of Audit for this, a cycle will be introduced wherein the Group Officer review the disagreement items once a year for each unit. He shall visit all unit in such manner so that all units get covered within a year.
26. The format of draft Inspection Reports as well as issued Inspection Reports should be consistent with the instructions contained in Railway Audit Manual/Railway Audit Norms.
27. All pending Specific Reports and part-I objections should be reviewed and updated at the time of Inspection. A separate statement should be enclosed along with the part-I current Inspection Report indicating the updated position of the Specific Reports and part-I objections along with recommendations.  
(P.O.O. No. 10 dt.27.08.2015)

**c.** The following certificate may be given while issuing Part-I and Part-II inspection reports. “The Inspection Report has been prepared on the basis of information furnished and made available by the .....(inspecting office). The office of the PDA/NCR disclaims any responsibility for any mis-information on the part of auditee”

**d.** The voucher/documents, if any, not made available for audit during the inspection shall be clearly brought to the notice of the Head of the Office inspected by including the same in the Inspection Report Part - I in case there is other material for Part I and Part II in other cases.

**e.** If in any case, discussion with the executive offices could not be arranged within a week of the completion of the inspection, the final report must be arranged to be issued within the prescribed period of one month from the date of completion of the inspection.

**f.** The inspection report should indicate the dates of inspection and by whom the inspection was carried out.

**g.** Points noticed during inspection of any office which indicates possibility of existence of similar irregularities in other offices should be carefully followed up. While inspecting other offices, it should be seen whether similar irregularity exists.

**h.** In the case of inspections supervised by AuO, the fair copies of the inspection reports will be signed by him and reports will be forwarded to the Accounts Department by the concerned Branch Office.

**i.** Reminder for the reply to the inspection report Part I should, in the first instance, be issued after 2 months and thereafter at an interval of a month.

## **17.9 Tracing of Stores bills into numerical ledgers**

**a.** During local inspections Stores bills for stock purposes selected for audit should be traced into Depot Card ledgers and the Stores Audit Section/HQ will advise the concerned BOs the particulars of such bills for being so traced.

**b.** In respect of direct delivery stores bills which are received by the consumers and accounted for in the numerical ledgers maintained by them, the

bills of one month in addition to the month selected for detailed scrutiny should be selected purely for tracing the stores bills into numerical ledgers. For this purposes AuO/Stores/HQ direct delivery stores bills will select one month common to all Divisions/Units and advise the particulars of bills to the concerned divisions/units. This will be done every year during February and the month selected will be common to all inspections proposed during the ensuing financial year. The month selected should be within the past two years and it should be ensured by the BO that the month selected for detailed scrutiny should not be very close to the month selected for tracing of bills.

**17.10 Verification of cash balance**

The physical verification of cash with the Chief Cashier/Allahabad need not be conducted. It should, however, be ensured that the Internal check authorities have carried out a verification periodically as prescribed and that the results of such checks have been kept on record. Verification of cash with the Divisional Pay Master should be done at the time of annual surprise cash verification. It is not necessary to inform the DPM in advance about the proposed inspections. As regards the surprise verification of cash with the pay clerks, the verification of cash with one Pay Clerk at Headquarters and one at outstation should be done according to the periodicity prescribed. Surprise verification of cash with travelling pay clerks should be conducted by AAuO and one Sr.Ar. Such verification of cash with Pay Masters/Cashiers should, however, be done by Branch Officer only. Wherever verification of cash is involved the cash should be counted by the Railway official who is in charge of the cash and not by Audit staff. The result of the verification should, however, be recorded in the cash book by the Officer conducting the verification.

**17.11 Review of major works**

As per revised audit norms review of major works is to be carried out as indicated below:

<b>Scope and extent of check</b>	<b>To be checked by</b>
a) <b><u>Works costing over Rs.1 crore (100%). other works.</u></b> Inspection to be done when the expenditure incurred exceeds 50% and 100% of the sanctioned cost.	1 AAUO 1 Sr.Ar./Ar. For 4 days with 3 days supervision by BO. 5% of completed works.
b) <b><u>Works Costing Rs.10 Crore and above (100%). CTR</u></b> Inspection to be done when the expenditure exceeds 25%, 50%, 75% & 100% of the Sanctioned cost	2 AAUO 1 Sr.Ar./Ar. For 5 days with 100% supervision by BO.

The scope of the review should include a detailed check of contractor's on account bill and other paid vouchers for the month selected. The review should also include a study of the files relating to the works in Accounts and Technical branches not only in division but also at Head quarter. If 5 days allotted for such inspection is not sufficient PDA may increase the duration of the inspection depending upon the quantum of work. The review report should be submitted to PDA for personal approval.

**17.12 Check of leave accounts**

Refer Para 431(iii) of RAM.

The check of leave accounts should be a complete one from the beginning or from the last entry checked to the date of scrutiny and should cover cases of all employees due to retire prior to the end of the year in which the next inspection is

due.

**17.13 Check of Labour Pay Sheets**

The check of labour pay sheets in Central Audit has been discontinued and this should be checked during the local inspections. Before returning the paid vouchers to the Accounts Office, posting of LPS checked for the month selected during local inspections should be traced in to the Works and Revenue allocation Registers. Tracing of PF deductions appearing in the LPS in deduction list/variation memo and from that latter to the PF Ledgers should be done to the extent of 5% of the employees included in the LPS checked during inspections.

**17.14 Register of vouchers/documents checked during inspections**

The complete list of vouchers/documents checked during each inspection shall be entered in a Register under the initials of the Sr. Ar/AAuO and this register should be submitted to the BO, for information after the close of the inspection. In respect of leave accounts checked, the last entry upto which the leave account has been checked shall also be indicated. All the rough papers relating to the inspection shall also be filed and kept separately.

**17.15 Check of Passes and Privilege Ticket Orders** issued by Non-Railway Officials to their staff and those issued by the Railway Administration to the Non-Railway Staff:

Refer Para 440 of RAM.

a. Besides the normal checks conducted during the audit of passes and privilege ticket orders issued to Railway staff, the following additional points are also to be seen:

Unused and time expired passes are promptly returned to the General Manager and in cases of default, necessary penalties are imposed in such cases. Privilege passes are issued only to eligible staff. In the case of staff governed by the Civil Travelling Allowances Rules and class of pass issued and the free allowance of luggage granted are regulated suitably.

b. As regards the passes and privilege ticket orders issued by the Railway Administration to non-Railway personnel such as staff of Urban Banks, Railway Employees Credit Societies, Railway Staff Canteens etc., the check shall be conducted during the inspection of the offices of the Personnel Branches of the concerned units.

**17.16 Receipt and return of paid vouchers and other documents obtained for inspection**

Paid vouchers required for Inspection should be obtained from the Records Section by submitting requisitions as usual and should be received by an Auditor of the Inspection party who should handover the vouchers to the AAuO in charge of the Inspection party, for safe custody. The paid vouchers relating to the office to be inspected are taken by the inspection party. The vouchers obtained for inspections should be promptly returned to the Records Section when no longer required for audit purposes, by the Auditor concerned under clear acknowledgement and this should be verified by the AAuO.

FORM No. (a)

**Para No. 17.8.1**

Sample form of Advice of Inspection.

No.

Date:

From  
The PDA,  
North Central Railway,

To  
The

Sub: Inspection.

\* \* \* \*

The Inspection of the initial accounts and records of your office will be taken up by Shri \_\_\_\_\_, AAuO and the inspecting staff will commence their work on or about . Necessary arrangements may please be made to keep the records ready and make them available to the inspecting staff.

Instructions may also please be issued to your office to offer remarks on the audit points day-do-day to facilitate settlement of the same on the spot and to eliminate them from the final report as far as possible.

I shall be glad if you make it convenient to be present at Head quarters to discuss the draft report on or about .

The receipt of this communication may please be acknowledged.

For PDA

No.

Date:

Copy forwarded to the (Accounts Officer), N.C.Rly.,  
For information and necessary action.

For PDA

**FORM No. (b) PARA No. 17.8.**

**OFFICE OF THE PDA : NCR:**

Accompanying note to the final Draft Inspection Report - Part I

1. (a) Name of the Office/Station Inspected  
(b) Name of the Sub-office inspected ..
2. Name of the Officer/Station Master-incharge..
3. (a) Period of Audit;
  - (i) Date of commencement ..
  - (ii) Date of completion .. ..
  - (iii) No. of working days .. ..
  - (iv) No. of man days .. ..

(b) Extent of check:

  - (i) Period of detailed check exercised ..
  - (ii) Period of test check exercised ..
4. Name of the Inspecting Officer ..
5. Name of the Inspecting AAuO ..
6. Name of the Inspecting Auditors ..
7. Particulars of important objections raised ..
8. Money value of objections raised ..
9. Important paragraphs to be brought to the ..  
notice of the PDA (Para Nos)
10. Paragraphs for possible inclusion in the Appn. ..  
A/cs. and Audit Report on receipt of reply.
11. Documents called for but not made available  
for audit (Ref. to Para No.)
  - (i) By Accounts Office.. ..
  - (ii) By Station/office .. ..
12. Report discussed with Head of Office/ ..  
Station Master on
13. Paras modified or deleted as a result of ..  
discussion
14. Whether POS were issued and replies obtained ..  
The final draft Inspection Report containing Paras and Annexures is submitted  
herewith for approval before issue.

Sr. Audit Officer/Inspn.

**FORM No (c) PARA No 17.8.**

Sample form of forwarding letter of Inspection Report - Part – I/Part-II

To  
The FA&CAO/-----.

Sub: Inspection Report, Part I/Part-II on the check of the accounts of the \_\_\_\_\_ (Officer whose accounts were inspected) by Sri/Ms. \_\_\_\_\_ (Name of the Inspection Officer and designation) from \_\_\_\_\_ to \_\_\_\_\_.

The above Inspection Report Part-I/Part-II is sent herewith in duplicate for information and necessary action..

Encl:  
Sr.AuO/Sr.DAuO/DAuO.

No.

Dated:

Forwarded (with a spare copy) to \_\_\_\_\_ (Accounts Officer concerned) for information and necessary action. Points settled on the spot as a result of discussion during inspection are shown separately in Annexure to the Report.  
Signature of the BO,

No.

Dated:

Copy with a copy of the Inspection Report forwarded to (Executive Officer) with the request that the remarks on the Inspection Report may be forwarded to \_\_\_\_\_ (Accounts Officer) within one month.

Signature of the BO,

Proforma for Annual Inspection Programme for the Year \_\_\_\_\_ of \_\_\_\_\_  
(of Para 17.4)

Sl. No	Name of office to be inspected	Frequency	Month and year of last inspection		Month of proposed inspection		No. of party Main Office		Sub offices	
			Accounts	Audit	Accounts	Audit	Personnel	Non-personnel	Personnel	Non-personnel
1	2	3	4	5	6	7	8	9	10	11

Total time (No. of days) Column 8 to 11	Percentage of BO supervision and No. of days	Sub Offices selected for BO supervision	Sub Offices proposed for inspection	Remarks
12	13	14	15	16

## CHAPTER 18

### COORDINATION

#### 18.1 Main functions

This section is responsible for the coordination of work among the various sections of Head Office, Divisional/Branch Audit Offices. The main functions are :-

- 1) To consolidate the material received from branch offices/sections in connection with various returns i.e. recoveries, arrear report, progress of inspections, audit objection issued/closed/outstanding etc.
- 2) Scrutiny of annual inspection programme of units along with programme of review of major works and getting approval of PDA's thereon.
- 3) Submission of monthly/Quarterly tour programme of Branch Officers to Director/PDA.
- 4) To deal with important references received from DAI (Railways) relating to more than one section of the office and requiring collection of information from the various branch offices/sections.
- 5) Quarterly return on supervision of field audit parties by Group Officer.
- 6) To deal with Tour Notes of DAI (Railways), PDA & Director.
- 7) To deal with the charge report of PDA, Director and all other Audit Officer and maintaining copies thereof.
- 8) To scrutinize and submit the paras for register of Audit Activities received from Branch Officers to PDA.
- 9) Processing of all references connected with the Programme of Audit (including extent of Audit periodicity of inspection etc.).
- 10) Submission of quarterly report on the review of Railway Board's contract to DAI (Railways).
- 11) Issue of Procedure Office Orders (POO) and maintenance of POO register.
- 12) Monitoring of audit plans and quarterly reporting thereof to DAI (Railways).
- 13) Internal control mechanism to assess the quality of audit work – assurance memo.
- 14) Ranking the performance of audit office to be sent to CAG every year by 15<sup>th</sup> May.
- 15) To prepare agenda for PDA and BO's meetings and circulation of the minutes thereof.
- 16) To review the cases of losses on the Railways as reported by the BO and to submit report to DAI (Railways).
- 17) To issue correction slip to the office manual from time to time and keep it up to date.
- 18) To deal with the complaints, allegations, grievances etc. received from various sources.

#### 18.2 Draft Para on the outstanding audit objections

- (a) A return showing the position of objection issued & settled during the financial year should be sent to DAI (Railways) by 31<sup>st</sup> July every year for consolidation of a Para for inclusion in the Audit Report (Railways). (CAG/Rly's letter No. 184-Rly/2-4/Recoveries/2004 dated 26-02-04)
- (b) For this return the information may be called for from units well in advance.

#### 18.3 Meeting of Heads of Departments (HODs) of NCR.

- (i) The intimation regarding date and venue of Principal Officers Meeting (POM) received from the Railways is to be brought to the notice of PDA/Director.



(ii) Coordination section in collaboration with reports section shall prepare a brief for the meeting and submit to PDA well in advance of the meeting. The brief should comprise the position of Draft Paras issued to the Railway Administration, long awaited documents, record and outstanding important audit objections along with any other important matter to be discussed in the meeting of HODs by PDA.

**18.4 Arrears in respect of letters received from DAI (Rlys)**

The position of CAG's letters received in each week and up to the end of a month but not cleared before 5<sup>th</sup> of the succeeding month should be reported to the coordination section by all HQ's sections. Coordination section shall submit a consolidated report to the PDA on 8<sup>th</sup> of the month.

**18.5 Papers/Registers meant for submission to PDA**

The following registers to be submitted to PDA/Director shall be routed through coordination section.

- (i) Original Audit/Post Review register of BO/AAuO
- (ii) Register of review of tenders/contracts
- (iii) Progress register of inspection.

**18.6 Periodical DO letter to PDA and Pr.FA**

(i) The confidential DO letters received from BO to PDA shall consist of i) Significant Audit Activity ii) Problems/constraints iii) major local events iv) cases sent/referred to Headquarters where the reply is due for more than two months v) material for DO to Pr.FA.

The matter requiring PDA's kind attention shall be submitted by coordination section.

**18.7 Review of manuals published by the Railway Administration**

The manuals issued by the Accounts Department of the Railway Administration in so far as they affect financial accounting and audit procedure are to be scrutinized by this section in terms of Para 120 of RAM.

The copies of such manual will be supplied to the DAI (Rlys) by coordination section.

## CHAPTER 19

### REPORT

#### 19.1 Introduction

Report Section is responsible for the processing of Paragraphs for the Report of the C&AG of India – Union Government (Railways) and all the matters relating thereto chapter XXIII of RAM contains detailed instructions on processing of cases for inclusion in the Audit Report.

#### 19.2 Duties of the section

The report section is to take a note of Special Letter/objection approved as potential draft para. The case submitted by the Branch office for the Audit Report is scrutinized by the report section with a view to develop the case as DP. The following point are kept in view :

(i) The background leading to the formation of the scheme/project, financial details, sanctioned expenditure, variation in the estimates etc. may be brought out in the introduction in review/draft paragraph.

(ii) The narration should be clear and in Plain Language with proper focus so that even a person not versed in details of accounting and audit is able to easily make out the main thrust of the points highlighted.

(iii) To enable proper application of the review/paragraph, supporting maps, charts, sketches etc. having proper authenticity may be given at appropriate places.

(iv) Statistical information should have connection with Audit Comments.

(v) A summing up of the procedural laps or omissions or other lacunae that have contributed to a particular situation may be brought out at the end of each Paragraph/Review so as to make a meaningful reading that would be help to all concerned to draw lessons for the future.

#### 19.3 Issue of Draft Para

On approval by the PDA, the case will be issued as Draft Para duly supported by the Key Documents, through confidential D.O. letter to the General Manager with endorsement by name to Financial Commissioner (Minister of Railways), Railway Board, PFA & the heads of departments concerned. A time limit of 8 weeks is allowed to the administration for sending reply to the Draft Para.

#### 19.4 Verification of Rly's sentence wise reply.

The sentence wise reply received from Railway Administration are examined and the same along with Audit's further remarks (placed in juxtaposition) are sent to Principal Director/D.G (Railways), O/o the CAG for considering and including the facts/figures.

#### 19.5 Verification of Provision Para.

Report section is also to verify the facts and figures of Provisional Para and Action Taken Note. Modification in the figures, if found necessary are to be got verified by the Railway Administration before advising to DAI (Railways).

#### 19.6 Memorandum for Public Accounts Committee

Action to be taken on Railway Boards memorandum for Public Accounts Committee is indicated in Para 504 RAM.

#### 19.7 Maintenance of Registers

**I. Potential Draft Para Register**–Potential cases of Draft Para identified from draft audit objections received for PDA's approval are noted in the register to ensure their quick processing for issue of Draft Paras. The register is to be put up monthly to BO and half yearly to Director and PDA.

**II. Draft Para Register**–The section has to maintain a register of Draft Para (496 of RAM) and submit it to PDA by 10<sup>th</sup> of every month. The register will indicate the progress of Draft paras from time to time. The register is also to be put up to DAI (Railways) during his visit the office.

**19.8 Monthly Report**

A monthly report on issue of Draft Para in the performa shown in annexure is sent to the DAI (Railways) by 10<sup>th</sup> of every month.

**19.9 Audit Report**

Chapter XXIII of RAM deals with action to be taken by PDA on Audit Report. Certain number of copies of Audit Report received in the office are sent to Railway Administration for their reference. The remaining copies are distributed amongst the unit offices of Audit Department.

**19.10 Draft Para on recoveries.**

Draft Para on recoveries at the instance of audit are issued by the DAI (Railways) to the RB. Necessary details to be incorporated therein are to be sent to DAI (Railways) duly verified by PFA by 31<sup>st</sup> July. The BO have to send the information duly vetted by Accounts Department by 15<sup>th</sup> of July each year. Synopsis of individual cases involving recovery of Rs. 1 Lakh and above is to be furnished in duplicate along with the “Statement of recoveries at the instance of Audit”.

**Format**

Progress Report on the issue of Draft Paragraphs and Reviews Notes for the Month

- 
- 1) Number of Draft Paragraphs and Reviews outstanding
  - 2) Number issued during the month
  - 3) Total (1+2)
  - 4) Number for which replies are due
  - 5) Number for which replies have been received
  - 6) Number approved for inclusion in the report
  - 7) Number Closed or settled
  - 8) Balance outstanding (3-6-7)

(Authority :- ADAI (Railway’s letter No. 289-RAI RR2-10/87 dated May 1987)

## **CHAPTER 20**

### **CATERING AUDIT**

#### **20.1 Scope of Audit**

The audit of catering transaction should be conducted keeping in view the General Principles contained in Sr. No. VI (17) to Appendix Chapter 3&4 of MOI and chapter XIV of RAM

#### **20.2 Audit of Catering unit.**

Audit of Catering unit over North Central Railway are to be undertaken by inspection section of HQrs.

Agreement with IRCTC and other related issues may be seen during local inspection of Chief Commercial Manager by inspection wing of HQrs. Issues dealt with by divisions in respect of catering shall be reviewed by the respective divisional audit offices during the inspection of commercial wing.

## CHAPTER 21

### EFFICIENCY CUM PERFORMANCE AUDIT (ECPA)

#### 21.1 Functions

The duties and functions of the Efficiency cum Performance Audit Section are those as laid down in Chapter 3.8.1 of the CAG's MSO (Audit) read with provisions of Auditing Standard and Chapter XXIV of the RAM. This section functions under the direct charge of the PDA, and is mainly responsible for undertaking special investigations on important topics as ordered by the Principal Director.

**Introduction:** Efficiency-cum-Performance Audit is a technique of audit adopted to assess and evaluate the economy, efficiency and effectiveness of developmental schemes/projects/organisation. Economy means operation at the lowest possible cost. Efficiency is effective out-put without unnecessary waste of resources including adherence to time schedule and Effectiveness in achieving programmed objectives and goals and ensuring that intended benefits arise in real terms. The Auditor has to review the working of the projects/schemes/organisations in their entirety in terms of their goals, objectives etc. to see how far the expected results have been achieved from the use of available resources of money, men and material. The audit embraces both financial and social aspects. The financial aspects would be to see that (1) the agency maintains an effective control over its income, expenditure, assets and obligation (2) the agency is responsible for its resources, obligations, and operation and (3) that the agency reports include specific true and useful data. The social aspects to be seen are how far (i) goals/targets set have been achieved and (ii) the intended benefits to the community/area have accrued. In view of its all embracing nature this type of audit is also known as Economy, Efficiency and Effectiveness audit.

#### 21.2 Nature of Audit

**21.2.1** The audit envisages a comprehensive review of the project/ scheme/ activity to ascertain:-

how far the physical and financial targets have been achieved

how far the social and economic objectives have been realized

whether the operations are conducted economically

whether there are any cases of over-payment, loss, extravagance, avoidable excess on infructuous expenditure due to improper planning, delays in completion of project over staffing, over capitalization, unsound pricing policy etc.

**21.2.2** The review should also bring to light cases where the utilization of resources is found to be far below the outlays and the reasons therefore.

#### 21.2.3 Planning the review

**21.3.1** The selection of the projects/schemes for review is done with utmost care after making a preliminary study taking into account various factors apart from the financial outlay involved.

**21.3.2** The review of the selected project/scheme is to be planned well and carried out in an effective manner.

**21.3.3** Active co-operation of the concerned departments and their proper appreciation of the task taken up by audit is essential for meaningful review. As such a pre-review discussion is held with the departmental authorities soliciting suggestions regarding areas/aspects to be taken up for study and assistance in making available the records and data.

## **21.4 Process of Review**

The various phases of the scheme reviews can be broadly categorized as:

- Preliminary study of the selected projects/schemes.
- Development of Audit Plan
- Review proper
- Drafting of the Review Report.

## **21.5 Preliminary Study of selected schemes**

**21.5.1** Preliminary study of schemes is an essential part of the review. The objective is to have a comprehensive insight into the broad picture obtained at the time of initial selection to locate areas/aspects requiring an in-depth examination Acts, Rules and Regulations, budget and plan documents performance budget of the department, progress reports, administrative reports, periodical appraisals, reports by the departmental officers and external nominated agencies, if any, like working/study groups of Planning Commission, Public Accounts committee, Estimates committee, Bureau of Public Enterprises reports, special initial audit report etc. would provide the necessary background material for carrying out this study. This will help in understanding the idea of the scheme, its aims and objectives, financial targets and actual expenditure, the agencies executing the scheme, etc.

**21.5.2** While conducting review of a project, it is necessary to understand the nature of the project right from the stage it is conceived. It has to be seen during the preliminary study:-

- Whether adequate surveys have been made before launching the project.
- whether proper feasibility reports were prepared.
- whether there is a detailed project report and if there are any deviation, why these deviations have taken place,
- whether the specification/performance of the various items of equipment are properly matched leaving large idle capacity in any one of them. Whether there are proper procedure for inventory control and management i.e. whether there is effective system of material management,
- what contracting systems have been laid down,
- what are the operational problems and how they are got over,
- whether the project is functioning as it should be.

## **21.6 Development of Audit Plan**

**21.6.1** A specific plan of audit is chalked out in advance indicating the guidelines for investigation, making out the offices/field units to be visited and overall strategy for collecting relevant data, and the time allotment for completing the review. Necessary format and questionnaire are also prepared for collection of important data relating to the various aspects of the scheme not only from offices of units proposed to be visited but also from other units for being made use of for consolidation and processing while framing the review. Man-power planning for carrying out the detailed review is equally important.

## **21.7 Review Proper**

**21.7.1** The approach of audit should be systematic, methodical logical and rational. The review always commences with an in-depth study of the files in the office of the concerned Administrative Department and other Heads of Department. While scrutinizing the records, it has to be seen whether:-

- objectives of the project/scheme/organization have been clearly defined and are in conformity with the policies and decision of Government;
- programmes have been drawn up in accordance with these objectives and are being implemented by specific and well defined procedures;

- a good monitoring/management information system exist for collecting reliable data and progress reports on implementation of the policies and programmes and whether the data is effectively utilised to improve organisation or remedy deficiencies with utmost speed;
- proper built-in control mechanisms in the prescribed system exist to have an effective control over various areas of implementation to check leakages, losses, avoidable and wasteful expenditure etc.
- specified performance indicators exist, (if not, the procedure followed or yardstick/norms prescribed to assess the performance of the project/scheme have to be ascertained and their validity determined).

**21.7.2** In short, the approach is to conduct systems audit. These factors will give necessary idea and guidance for further study/probe in the field units. On the basis of these studies the format and questionnaire prepared for collection of detailed information from base level offices should be reviewed and modified, if necessary. The next stage is carrying out the studies and collecting information from the selected field units. The examination from the selected and audit scrutiny of selected samples of transactions and study should be thorough and complete without the need for a second visit to the same offices. In order to have reasonably reliable audit findings, it is necessary that sample size taken up for detailed check in audit is adequate and is fairly representative of the whole. It should be ensured that the prescribed system is being followed as intended. Copies of full references should be taken wherever necessary. To elicit maximum information, it is useful to discuss details of the project/scheme with the officers of the institutions visited.

**21.7.3** The review work, thus, involves in-depth study of project programmes, organizational set up, managerial process including systems checks and controls, research and developmental personnel policies and management, material management, budgets and accounts work etc. The efficiency evaluation is a complex and multifaceted problem which needs not only untrained skill but also a high degree of developed and abundant common sense.

## **21.8 Drafting of the Review Reports**

**21.8.1** This is the final stage of the review. The data collected or obtained from departmental offices and unit offices are consolidated and collected for interpretation and detailed analysis by careful, detailed and analytical dissection of the findings of investigations made during review, the consolidated data collected and the results of preliminary study taking into account mid-course review of the programmes and the remedial measures taken, if any, the review is drafted for approval.

**21.8.2** Undoubtedly, there are always some plus points in favour of the project authorities, but audit does find serious irregularities. These can be non-realization of social economic objectives, non-observance of time schedule and cost estimates, over-capitalization, large over-read expenditure, over-staffing idle personnel, work backlogs, delay in construction of projects resulting in increase in expenditure, absence of trained man-power, plants operating below rated capacity, excessive inventories, absence of sound pricing policy, unauthorized occupation of government lands, idle plant and equipment, leakage of revenue, overpayments, losses due to pilferages or non-observance of proper procedure, improper, avoidable or infructuous expenditure etc.

**21.8.3** In attempting the reviews, the emphasis should be on quality rather than on lengthy narration. More stress should be on analysis or strength and weaknesses of the organization. In short, the performance review should encompass

efficiency, effectiveness and economy of the project or scheme.

**21.8.4** After the review report is written up, it is to be forwarded to the Head of the Department and on receipt of reply their comments/replies are embodied in the review or the review is revised wherever found necessary in the light of the reply. To expedite replies, it is desirable that self-contained parts of the reviews are issued immediately after drafting and the material discussed with the departmental authorities at appropriate level.

**21.8.5** Lay-out for a review can be:

- Introduction-description of the organization/scheme/project.
- Finance resources, expenditure.
- Targets-physical, financial.
- Use of financial assistance/resources.
- Utilization of materials/equipment.
- Utilization of man-power.
- Components of scheme-goals, achievement, shortfalls.
- Inventory.
- Operational costs-variable, fixed.
- Assets-Targets/fixed.
- Social objectives-how far met.
- Summary of findings.

## **21.9 Overall appraisal**

**21.9.1** On the basis of the results of efficiency audit of individual big projects and schemes, an attempt is made at the end of each year, to make an overall appraisal of the progress and efficiency of plan expenditure up to the end of the year, with reference to the total plan targets and anticipation. A mention of this appraisal is made in the Audit Report of the Government.

### **21.9.2 Investigations**

The list of important and general matters which may be suggested for review by this section are given in Chapter - VIII of CAG's MSO (Audit) II edition (2002) and Chapter XXIV of the RAM. In accordance with the instructions contained in Para 510 of RAM, items for investigation by Efficiency cum Performance Audit Section are selected by the PDA. In addition a few important investigations are also entrusted to this section as and when considered necessary by the PDA. A register showing the Progress of Special Investigations should be maintained in Form No.F.2101.

After selection by the PDA, when any investigation involves collection of data etc. the Efficiency cum Performance Audit Section would enlist the assistance of the auditing sections, where necessary. Data, if any, required to be collected from the divisions/branch offices will be called for from the Divisional/BOs who should furnish them as early as possible. Files, if any, dealt with earlier on the subject may also be consulted before proceeding with the investigation. The staff of ECPA section may also visit any place/station/office for collection/verification of particulars etc. with the prior approval of the PDA.

### **21.9.3 Efficiency cum Performance Audit**

Guidelines for the conduct of Efficiency cum Performance Audit have, inter-alia, been issued in the 'Audit Guide Series' issued by the O&M Division of the O/o the CAG of India, New Delhi. A monograph on 'Efficiency cum Performance Audit' has also been issued by the Training Division of the O/o the CAG, New Delhi. The detailed instructions contained in Chapter – 8 of the CAG's MSO (Audit) II edition (2002) should be followed. Apart from the above, the following aspects may also be given due consideration to see that the schemes were



undertaken after a careful analysis of economics thereof:-

Whether the competition allowed to the tenderers was fair and wide and if the sanctity of open tenders was duly maintained, whether the lower tenders, if any, were passed over on adequate grounds and whether in cases of allowing price preference on account of earlier deliveries the stipulated delivery period was strictly observed. It may also be generally seen whether the scope for receiving competitive rates is sufficient or it can be further improved.

Whether in cases of works undertaken on urgency certificates, there was no delay in preparing technical estimates and whether the works were completed expeditiously and with all speed and whether the works are likely to be put to the expected use immediately after completion.

Whether works have not been left incomplete or their progress slowed down and whether the circumstances responsible therefore could not be fore-seen well in time to avoid infructuous expenditure/blocking up of the capital. Whether any work should have been treated as abandoned and their cost written down from capital to D.R.F. with a view to reduce the dividend liability etc.

Whether there are apparent facts indicative of the likelihood of enormous idle capacity on completion of certain schemes or whether the traffic offerings are expected to be very inadequate resulting in the additional capacity created remaining unused. And if so, whether the Administration have taken steps to arrest the magnitude of infructuous expenditure or to find alternative means to make best use of the circumstances. It may be specifically seen whether the works almost completed have not been thrown open for traffic to avoid any criticism about the lack of revenue earnings and/or are allowed to drag on with comparatively poor progress in some physical aspects just to explain away the delay in opening of the lines etc.

Whether in the case of practically completed works, the number of staff employed has been brought down and expenditure on other ancillary items proportionately reduced.

In the case of new lines or doublings, whether the Railway lines have been thrown open at the speed mentioned in the project estimates or not. If not, what are the reasons for speed restrictions and its financial effect on working.

i) Whether any major changes in specifications laid down in estimates or tenders have taken place and its financial effects. (CAG's letter No.1047-RAI/8-5/65 dated 11-04-66).

ii) In addition to the regular investigations, this section will also conduct an annual review of major construction works costing over Rs.1 crore. For this purpose, the particulars of major construction works executed in the various construction units will be called for from the construction Audit offices in the month of December and one or two works where the physical progress is more than 75% selected, for review on the following lines.

The efficiency of construction may be reviewed with reference to the expedition with which the surveys and the finalization of tenders were conducted, the commencement of actual work and the progress thereof from time to time, as against the original schedules etc. While the types of works found necessary and soils met with during actual execution would be an index of the accuracy of the technical appreciation in the estimates, the pattern of rates obtained in the tenders and any special aspects of construction or terrain might help in reviewing the dependability of financial forecasts vis-à-vis the actuals. The co-relation of the actual to the Railway should be sent to the CAG by the middle of August each year for preparation of a consolidated para for the Audit Report (Railways). (CAG's lr.No.38-RAI/A8-3/63 dated 07-01-63).

#### **21.9.4 Review of Study Reports**

In the month of April each year, the ECPA Section should call for the particulars of work studies conducted by the Planning/Efficiency Cell of the Railway Administration, and put up the same to the PDA for information. The cases selected by the PDA should be reviewed and notes submitted for information and orders.

#### **21.9.5 Maintenance of Data Bank**

Data collected from newspapers, Railway and other publications on matters concerning Railways should be kept neatly arranged subject- wise for reference/use in connection with special investigations and reviews undertaken in Audit.

#### **21.9.6 Para for Audit Report (Railways) - Frauds and Losses**

All cases of losses and serious irregularities should be carefully reviewed with a view to preparing draft paras to bring out instances of (i) inadequate action(ii) delayed action and (iii) cases in which action is pending for a long time. Really important cases of frauds, serious irregularities etc. involving comparatively larger amounts and disclosing procedural and other defects, should be considered for individual draft paras. Similar items of smaller losses including those amounting to less than Rs.2,000/- each, where the action taken is considered inadequate or ineffective should be grouped together to illustrate the point that disciplinary action is generally on the light side. All cases of losses should be reviewed on these lines and draft paras for the Audit Report (Railways) prepared every year. (CAG's letter No.2583-RAI/A8-10/59 dated 08-09-59)

In order to enable the ECPA Section to prepare the draft paras in this regard, necessary material should be furnished by the various Divisions/Units by 1<sup>st</sup> May of each year. If there are no cases a 'Nil' report is to be sent.

#### **21.9.7 Review of Railway Board's Inspection Reports**

All the reports on the inspection of the Accounts offices by the officers of the Railway Board should be reviewed by the Efficiency cum Performance Audit Section to judge the effectiveness of the inspections done by the Railway Board. Important and interesting features coming to notice should be reported to the CAG. (CAG's letter No.1458-RAI/8-6/67 dated 05-05-67).

#### **21.9.8 Review of Vigilance Cases**

Every year in the month of May, a list of Vigilance cases reported to the Railway Board and finalized during the previous calendar year should be called for from the Vigilance Branch and the same submitted to PDA for information and review of such cases as may be considered necessary.

#### **21.9.9 Organization and Methods**

With a view to introducing new technique/methods and streamlining the office procedures, the work of O&M has been entrusted to the ECPA Section. Suggestions for new management techniques and improvement to the systems received from units/staff members are examined and the orders of the PDA are obtained for further action.

#### **21.9.10 Frauds and Corruption**

The Association of Supreme Audit Institutions (ASSOSAI) has framed detailed guidelines for dealing with cases of Frauds and Corruptions which are given in the Appendix II and the same may be borne in mind while coming across cases of frauds and corruptions.



## CHAPTER 22

### INTERNAL AUDIT

#### 22.1 Introduction

Chapter 18 of MSO (A&E) Vol.-I and chapter 24 of section III of MSO (Audit) deal with Internal Audit. According to chapters, it is a matter of great importance to verify whether the various process of accounting/audit are being correctly followed by different sections of the office.

**22.2** The **main objectives** of internal audit is to test check the work done by various Branches and Sections of the office with a view to ascertaining the extent to which they are :-

- i) following the prescribed procedural rules and regulations;
- ii) maintaining various registers that have been prescribed;
- iii) submitting various returns on the due date; and
- iv) generally functioning as efficient units of the office.

The internal audit section of an audit office should also check the quality of audit conducted and comment specifically on this aspect in its reports so that suitable measures may be initiated to improve the quality of work, where necessary.

#### 22.3 Selection

One or more sections will be selected by PDA for internal audit every quarter. The internal audit of all the sections of the office will be completed in a cycle of two years. The result of review by internal audit should be put up to the PDA, soon after the party returns to headquarter. These objectives shall be achieved in the following manner :-

- i) by investigating important arrears & verifying whether the periodical arrear report etc. submitted to the PDA faithfully represents the actual position of arrears in that Branch /Section.
- ii) by verifying whether returns shown as having been sent on the dates mentioned in the calendar of returns were actually sent on those dates.
- iii) by reporting whether the files and other records are maintained in a neat and systematic manner.
- iv) by bringing to the notice of the PDA, the number of audit objections issued during the previous quarter.
- v) by watching the implementation of important Procedure Office Order issued from time to time.
- vi) by seeing whether the prescribed programme of audit is being correctly followed and scrutinizing the adequacy or otherwise of the arrangements for audit and review.
- vii) by verifying whether the audit work has been done adequately and intelligently and if absolutely necessary, by a test check of vouchers and other documents already audited.
- viii) by checking the man hour statistics prepared by section represent the work done in the section. A test of this statement should be carried out (authority C&AG's letter No. 589-RAI/8-2 Dt.2-3-1968.)
- ix) by looking into the cases of delay in receipt and issue of inspection reports & review of inspection reports. The existence and proper maintenance of the register of receipt and issue of inspection reports should also be checked.
- x) by test checking the returns.

Test check of returns should be done in such a way that all returns should be covered in test check once in a year. (Authority: C&AG's circular No.16 O&M/85 letter No.1440-O&M/107-85 KW Dt.18.11.1985.

- xi) by checking that the listing of vouchers done by Sr. Ar/Ar for selection has been checked cent percent and found correct and the monthly/quarterly certificate certifying

that the extent of checks prescribed for audit and percentage fixed for current review/post review has been verified and corrections carried out.  
xii) by verifying the imprest account/recoupment.

The following Check list should also be adhered:-

### Check List

#### **(A) Administration section/Hqrs**

1. Proper maintenance of Calendar of returns of Admin. Section.
2. Proper maintenance of DCRG/Commutation Registers
3. Review of Outstanding Pension cases.
4. Review of nominations towards Provident Fund
5. Register for matching the recoveries of P.F. advances.
6. Register of final refund residual balance cases (with disbursement certificate issued by DDO)
7. Correspondence regarding outstanding recoveries of loans.
8. Investigation of important arrears.
9. Register of reconciliation of expenditure with Accounts.
10. Disposal of Complaints received from officials or outsiders.
11. Monitoring of the implementation of important office orders issued from time to time.
12. Test check of service books of Personnel of Audit.
13. Scrutiny of the list of personnel who would be completing 30 years service or attaining 55/50 years of age.
14. Check of rosters maintained for reservations of vacancies.
15. Check of Gradation List.
16. Test check of 5 to 10 percent of complaint cases received in the office and addressed by name of PDA/DG/Group Officer and those received direct by section through ordinary Dak.
17. Illustrative checks to be exercised & points to be seen during ITA mentioned in ITA manual from Page No. 62 to 82.
18. Register of Officials who are due to retire in near future.
19. Any Other important items maintained in the Units
20. Returns to be sent to C&AG Office by Admn Section:

<i>Sl. No</i>	<i>Name of Return</i>	<i>Due date</i>
<b>NGE (DISC. )</b>		
1.	Return on Confidential Reports in respect of Non-Gazetted employees.	By 7 <sup>th</sup> July of every year
2.	Return of Vigilance Cases in respect of Non-Gazetted employees.	By 10 <sup>th</sup> January of every year
3.	Return on appeals, meals addressed to CAG but withheld by PAG/AG/Pr. Director of Audit.	By 31 <sup>st</sup> March of every year
4.	Return on pending disciplinary cases in respect of Non-Gazetted employees	By 30 <sup>th</sup> April for half Year ending March. By 31 <sup>st</sup> October for Half Year ending September
5.	Return on sexual harassment of working women.	By 31 <sup>st</sup> January of every year.
<b>NGE (APP.)</b>		
6.	Consolidated Annual Statement regarding representations of SCs/STs in service in Appendix 8,8C & 9 of Broucher on Reservation for SCs and STs in services.	By 31 <sup>st</sup> March of every year
7.	Annual Statement in Appendix 12 of Brochure on Reservation for SCs and STs in services showing the number of reserved vacancies including in the roster for purely temporary appointment which were treated as reserved during the prescribed year.	By 31 <sup>st</sup> March of every year
8.	Representation of SCs/STs in services appointment to posts filled by deputation or transfer-annual statement as per Appendix 19 of Brochure on Reservation for SCs and STs in services.	By 30 <sup>th</sup> March of every year
9.	Annual Statement regarding recruitment of OBCs in Government services	By 31 <sup>st</sup> March of every year
10.	Annual return on inspections of rosters for providing reservation for SCs/STs in direct	By 14 <sup>th</sup> August of every year

	recruitment/promotion	
11.	Annual return in respect of utilization of vacancies reserved and filled by physically handicapped persons	By 31 <sup>st</sup> March of every year
12.	Annual return on strengthening of administrative review of cases of government servants on attaining the age of 50 to 55 years of service or after completing 30 years of service and their premature retirement in Group 'C' and 'D' cadres.	By 30 <sup>th</sup> April & 31 <sup>st</sup> October of every year.
13.	Half yearly report for monitoring of recruitment of Minority communities in the Ministries/Departments, Public Sector Undertakings and subordinate/attached offices, representation of Minorities in statutory section Boards/Committees	By 30 <sup>th</sup> April & 31 <sup>st</sup> October of every year.
14.	Half yearly return on reservation of vacancies for ex-servicemen	By 15 <sup>th</sup> of the month following the half year
15.	Half Yearly return on physically handicapped persons	Last week of second month after expiry of the sex monthly period
16.	Quarterly return showing surplus/deficit in the combined cadres of AAOs/SOs	By 15 <sup>th</sup> January, 15 <sup>th</sup> April, 15 <sup>th</sup> July & 15 <sup>th</sup> October of every year
<b>NGE(ENTT.)</b>		
17.	Quarterly return for the schemes for voluntary retirement of Central Government employees after rendering 20yrs of qualifying service	By 5 <sup>th</sup> day at the end of each quarter. Viz., January-March, April-June, July-September, October-December
18.	Prompt settlement of pension and other retirement benefits	By 5 <sup>th</sup> day at the end of each quarter. Viz., January-March, April-June, July-September, October-December
19.	Prompt settlement of terminal claims and other complaints of retiring staff	By 15 <sup>th</sup> of the month following the month of the retirement
20.	Acknowledgement of permanent advance sanction to the office	By 15 <sup>th</sup> April of every year

<b>BRS</b>		
21.	Staff proposals for inclusions in REs and BEs	By 25 <sup>th</sup> July of every year
22.	Staff proposals for inclusions in REs and Bes in respect of P&T offices	1 <sup>st</sup> week of September of every year
23.	Monetary estimates for inclusions in REs and BEs	20 <sup>th</sup> September of every year
24.	Final review of expenditure for the year	10 <sup>th</sup> July of every year
25.	Watching/Submission of Appropriation Accounts	1 <sup>st</sup> September of every year
26.	Collection of statics to serve as fair index on the volume of work done during the year	30 <sup>th</sup> September of every year
27.	Consolidated statement showing the loss of national property due to fire, accident in the IA&AD for the year	March of every year
28.	REs and BEs demand No. 30 Major Head 7610 Loans and Advances to Government servants	1 <sup>st</sup> week of October of every year
29.	Requirement of funds for the year in respect of HBA	15 <sup>th</sup> April of every year
30.	Monitoring of expenditure other than salaries and TA	By the 10 <sup>th</sup> of the following the last month of quarter to which the return relates
31.	Statement of actual expenditure incurred on pay and various types allowance of Central Government employees	31 <sup>st</sup> March of every year 30 <sup>th</sup> June of every year 30 <sup>th</sup> September of every year 31 <sup>st</sup> December of every year
32.	Statement of expenditure in respect of loans to Government servants from October to March every year	15 <sup>th</sup> of the following month
33.	Statement of Sanctioned Strength and Persons in Position	10 <sup>th</sup> of the following month
34.	Review of expenditure statements from April onwards.	10 <sup>th</sup> of the following month.



<b>NGE(JCM)</b>		
35.	Return regarding departmental examination passed staff awaiting promotion as Auditors and Accounts	By 10 <sup>th</sup> day of each half year, viz., January-July
36.	Return regarding Section Officer Grade Examination passed staff awaiting promotion as Section Officers	By 10 <sup>th</sup> day of each half year viz., January-July
37.	Return relating to private/State Government buildings hired for office accommodation/Rest House/Guest house etc.	By 20 <sup>th</sup> April of every year
38.	Use of staff car for journeys outside Headquarters	By 20 <sup>th</sup> April of every year
39.	Economy in use of petrol/diesel in staff cars every year	By 20 <sup>th</sup> April of every year
40.	Availability of residential accommodation in IA&AD	By 15 <sup>th</sup> January and 15 <sup>th</sup> July
<b>LEGAL CELL</b>		
41.	Quarterly return of legal cases pertaining to employees of IA&AD	By 5 <sup>th</sup> of January, April, July & October of every year
42.	Quarterly return of legal cases of non employees of IA&AD (Non-IA&AD cases)	By 5 <sup>th</sup> of January, April, July & October of every year
<b>GE II</b>		
43.	Representation of SC/ST in services	By 31 <sup>st</sup> January of every year
44.	Recruitment of minorities in services	By 30 <sup>th</sup> April & 31 <sup>st</sup> October of every year
45.	Statement showing the position of officers on deputation every year	By 15 <sup>th</sup> January and 15 <sup>th</sup> July of every year
46.	Vigilance cases against officers	By Aril, July, October bad January of every year

**(B) General Section/Hqrs**

- i. Appearance of office building
- ii. State of tables, chair and side shelves in sections
- iii. State of recreation and open play grounds
- iv. Fire fighting equipments
- v. Cleanliness of canteen and hygienic in kitchen and canteen
- vi. State of water coolers, air-conditioners, water filters and desert coolers
- vii. Clean look of curtains, walls, floors, windows, doors, fans and lights in section.
- viii. Wearing of uniforms, shoes and caps by staff to whom liveries are supplied.
- ix. Condition of staff cars and other vehicles.
- x. State of compound walls, security fences and deployment of watch and ward staff in office and residential premises (separately).
- xi. Upkeep of records.
- xii. Maintenance of old record section/room
- xiii. Display of office circulars in notice board and their periodic removal.
- xiv. Service & postage Stamps Accounts
- xv. Check of data of number of staff trained in RTI/In-house training etc.
- xvi. Review of progress of Hindi letters and achieved thereof.
- xvii. Review of collection of subscription & expenditure etc. of the Recreation Club of Audit.
- xviii. Register of Identity Cards.
- xix. Check of fortnightly report of outstanding letters
- xx. Check of statistics of regular, temporary & casual temporary staff.
- xxi. Review of Purchaser orders
- xxii. Review of any other important items maintained in the Units.

**(C) EDP Wings & IT Audit**

- i. Review of total number of PCs/Servers/Printers etc. in the office?

- ii. Number of total employees trained in computer (Cadre wise/package wise, including persons trained on their own outside office, persons who gained knowledge by actual practice and self study even though they might not have attended formal departmental training programmes.
- iii. Number of the computer trained persons are working on computers.
- iv. Returns required of above to be sent by E-mail are sent to Headquarters by E-mail.
- v. Whether computer training programmes are arranged through RTIs and In-house trainings, as per instruction of Headquarters.
- vi. Whether Computers, UPS, LCD etc. were purchased during last four years? Entire details of the same may be obtained & reviewed.
- vii. ITA reviewed whether the Computers were purchased from the vendors empanelled by Headquarters office at the rates fixed by headquarters? Whether all the works relating to Administrative Reports, Activity Reports, Audit Reports processing of Audit Report Material, important returns to Hqrs, Gradation list of employees etc. are done through computers?
- viii. Who are the annual maintenance contractors for computers etc? What is the basis of selection of the contractors? Whether the annual maintenance rate exceeds 6% of the cost of the items? Whether AMC is given with prior approval of Hqrs/Competent Authority?
- ix. Any other important items maintained in Section/Unit.

**(D) Co-ordination Sections/Hqrs**

ITA will review the following items during ITA of section:-

**a) Annual Audit Plan**

i	Whether the Annual Audit Plan is approved by Audit Panning Group?
ii	Whether audit plan is prepared keeping in view instructions issued by Hqrs.
iii	Check the comprehensives of Audit Plan (including IT Audit Plan) vis-a-vis availability of staff, priority for inspection and periodicity adopted for local audit of units/formations.

iv	In case of constraints in TA Budget, check whether there has been prioritisation of TA demands in the TA Budget by reference to priority of material for Audit Report.												
v	Whether ABC analysis of auditee units conducted?												
vi	Whether the Audit Planning group meets from time to time to review implementation of the Annual Plan?												
vi i	Whether master data base of auditee units is maintained?												
vi ii	Whether list of auditable units/cycle index register is updated annually? What is the mechanism applied for its timely updation annually?												
ix	Whether Audit Cycle Register or data base showing periodicity of Audit is maintained?												
x	Whether frequency/periodicity of Audit was reviewed? If so, when?												
xi	Whether any specific criteria was spelt out for deciding the periodicity?												
xi i	Obtain three years data showing the status of units/activities planned and audited. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Year</th> <th>Units/activities due for audit as per laid down periodicity</th> <th>Units/activities provided for audit in the audit plan</th> <th>Units/activities actually audited during the year</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	Year	Units/activities due for audit as per laid down periodicity	Units/activities provided for audit in the audit plan	Units/activities actually audited during the year								
Year	Units/activities due for audit as per laid down periodicity	Units/activities provided for audit in the audit plan	Units/activities actually audited during the year										
xi ii	Whether analysis of man days available and man days utilized for audit was done; if so, details for last three years may be obtained.												
xi v	Whether any deviations from the Audit Plan have taken place and if so, for what reasons/justification?												
xv	Whether instructions issued by Headquarters from time to time are being followed?												
xv i	Whether all the units auditable under sections 14 (1) and (2) of CAG's DPC Act are being audited as per periodicity of audit prescribed?												

### **b) Programming**

i.	Review the composition of party vs. Manpower available.
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ii.	Whether Annual Audit Plan was drawn up with ABC analysis of units and all auditable units/activities due during the year; if not, ascertain reasons and whether shortfall was provided for in succeeding year.
iii.	Whether arrears in audit were shown in the arrear reports sent to Headquarters.
iv.	Whether quarterly programmes are framed in time and issued to the parties.
v.	Whether auditee institutions are informed suitably in advance?
vi.	Whether questionnaire /list of records to be kept ready for audit party is also enclosed?
vii.	Whether any change in the duration is made?
viii.	Whether such programmes are approved by AG/Group Officer?
ix.	Whether there is a system of rotation of party personnel?
x.	Whether there is a system of rotation of auditee units/activities? Whether names of audit party members are noted in the register of auditable units along with the dates of Audit.
xi.	Whether Good Practices Guides for each of the major audits are issued to Audit Parties.

**c) Technical**

i.	Whether any specific audit manuals were compiled? If so, when?
ii.	Whether party personnel were provided with a copy of manuals?
iii.	Whether guard file of Memorandum of Association/Articles of Association, important circulars/instructions, etc. is maintained by Headquarters controlling section and important orders circulated to Parties for information and verifying their implementation.
iv.	Whether individual Audit Note Books are maintained and updated?
v.	Whether there is a system of cross referencing in respect of points noted during audit of accounts with transactions audit and vice-versa and points noted during central audit with local audit and vice-versa?
vi.	Whether the audit parties are briefed before commencement of audit programme.
vii.	Whether there is system of centralized scrutiny of agenda and minutes of Board meetings, sanctions, purchase cases, important vouchers, etc., and communication of results of such scrutiny to the audit parties for detailed examination.

viii.	Whether list of all Acts and Rules and Journals, etc., applicable to each Auditee Unit has been kept and relevant books available readily?
ix.	Whether press cuttings/news items pertaining to each auditee unit are submitted to the Head of Office and results of examination watched?
x.	Whether minutes of periodical meetings held by Group Officer with Sr. AOs/AAuO are kept and circulated for compliance of decisions taken in the meeting?
xi.	Whether any system is in vogue to keep a watch on the amendments in the Acts, rules etc. affecting the Auditee organization?
xii.	Whether concurrent audit is done for major contracts and agreements?
xiii.	Whether the Registers of important points to be seen for each Auditee Unit are maintained?
xiv.	Whether Auditee profile/database is updated after each visit/audit?

#### **d) Supervision**

i.	What is extent of supervision by SAOs/AOs of field parties?
ii.	How many units remained unsupervised during last three years?
iii.	What is the extent of supervision by Group Officer(s)?
iv.	Whether any record of original work done by supervising Sr.AO/AO and Group officers is kept in audit files.
v.	Whether list of objections issued by each member of the audit party as well as supervising Sr. AO/AO/Group Officer as a result of Original work done is kept in the Audit files to record contribution of each official.
vi.	What is the impact on quality of audit due to supervision by Group Officer?
vii.	Whether tour notes are regularly submitted every month by Group Officers to DG/AG/PDs bringing out the work done?
viii.	Whether A.G./Group Officer/PD conducted any supervision of field offices/parties? If so, details for last 3 years may be collected and follow up action taken on AG's instructions checked?
ix.	What are the basis for allocating party days for the Audit of Various Auditees? Whether any study has been conducted in this regard?

#### **e) Working Papers & Documentation**

i.	Whether and on what basis that work has been disturbed amongst members of Audit Party?
ii.	What is the extent of original work done by the SAO/AO and whether it was adequately mentioned in the title sheet.
iii.	Whether details of work done by each party member are available?
iv.	Whether these have been reviewed at appropriate level?
v.	Whether all entries in Title Sheet made and reviewed ?
vi.	Whether there is sufficient indication as to availability of Key Documents (KDs) in the file?

**f) Any other important items carried out/maintained in Sections/Units**

**(E) Report Section**

- i. ATN-Submission of ATN after Check of facts & figures etc to CAG Office.
- ii. DP – Special or Potential Cases to be developed as DP.

i	Whether there is a system of marking PDPs at the time of approval of IRS?
ii	Whether instructions exist to collect copies of supporting documents in respect of each fact and figure for the IR cases proposed to be considered as a potential draft para case and cross linked?
iii	Whether such PDPs marked are identified, segregated and action taken immediately to process the same as DP.
iv	Whether proper pursuance of such PDPs like collection of wanting KDs, obtaining timely response from Auditee/Government, obtaining required clarification/information, etc. is done?
v	For Settlement/dropping of PDPs – at what level decision is taken?
vi	Whether system of periodical review of PDP register exists?
vii	What is the mortality rate of marked PDPs? Whether reasons for high mortality rates are analysed?
viii	Whether any system of reviewing other paras (including Part IIC or Part III), and minor irregularities exist with a view to identifying PDPs and incorporating them in the reviews?
ix	Whether Audit Reports of other States are studied to identify the cases to get examined by field audit parties to check similar nature of irregularities for possible comments through Audit Report. If so, whether cases identified are noted in the register to watch results of examination?

**DPs and Material for Audit Reports**

i	Whether timely action i.e. within 6 months of issue of IRs, been taken for issue of identified DPs to the management?
ii	Whether DPs are processed & issued on a regular basis or bunched?
iii	Whether timely action is initiated for obtaining reply, additional information, etc?
iv	Whether arrangements for timely verification of reply and collection of KDs/ information made?
v	Whether Audit Committee meetings are organized regularly to settle/pursue the paras?

iii. Any other important items maintained/carried out in the Unit/Section.

**(F) Common to all other sections**

1. Calendar of returns
2. Selection of vouchers Register.
3. Registers/Files of detailed selection.
4. Result of current review register to be done by SO/AAO.
5. Results of Post Review Register to be done by SO/AAO.
6. Results of Original Audit to be done by SO/AAO.
7. Detailed selection of current review.
8. Detailed selection of post review.
9. Register of Selection of tenders and contracts
10. Register of Progress of Inspection.
11. Points to be seen at the time of inspection.
12. Section registers.
13. Attendance register.
14. Casual Leave Register.
15. Periodical items listed in selection of vouchers register and calendar of returns.
16. Monthly progress report.
17. Statement of outstanding Audit Objections.
18. Quarterly Arrear Report.
19. Section Officer's Dairy.
20. Absentee statement.
21. Register of Special Letters.
22. Register of Part I Audit Notes.
23. Register of Inspection Reports.
24. Register of potential cases of draft paras.
25. Register of petty objections.
26. Register of serious irregularities.
27. Register of special Investigations
28. Investigation of important arrears
29. Register of Dead Stock.
30. Register of books in the office.

**22.4 Draft Report**

After the review is completed, the AAuO will discuss his findings with A.AU.O. of the concerned section and also with the concerned BO, if available and submit his final report to the Sr.AuO (Internal Audit), who will then submit the same to the PDA for



information. The report will then be sent to Branch Officer concerned for necessary action. The Branch Officer concerned will send his remarks on the points raised in the report within a period of two weeks to the ECPA section through GO and Sr.AuO (Internal Audit), who will obtain the approval of PDA for such action as may be necessary before final closure of the report.

## **22.5 Duties**

The following check of works also devolve on the Internal Audit Section.

i) Independent check of leave account and service books of all non-gazetted staff of the office. This check should be carried out during the month of March to April and a report submitted to the PDA through the DD/Director (Headquarter).

ii) Check of entitlements of Group 'A' Sr.AuOs:

Consequent on decentralization of work relating to the preparation of Salary Bills of Group 'B' officers of the Indian Audit and Accounts Department, the Internal Audit section should test check the entitlements of the Officers. (Authority: CAG's letter No. 1325-TAI/398-71 dated 12-09-1972)

iii) Review of Rosters for Scheduled Casts/Tribes etc. maintained by the Administration section:

Rosters for Scheduled Casts/Tribes etc. maintained by Administration section are required to be checked every year and remarks intimated to the Administration section by the 15<sup>th</sup> of February. (Authority: CAG's letter No. 2164-NGE II/58-70 (I) dated 17-12-1970)

iv) Efficiency of weeding and destruction of records.

## **22.6 Internal inspection by Director General Inspection party**

The internal audit section should act as liaison between the Director General Audit Inspection Party and other sections of the office. The inspection- report issued by the Director General of inspection party should be dealt with by the internal audit section in consultation with other sections and necessary instructions should be issued from the internal audit section to ensure that the irregularities pointed out by the Director General of inspection party do not reoccur.

## CHAPTER 23

### IT AUDIT

#### 23.1 Introduction

Refer Manuals of IT Audit.

Data are observed fact obtained on the basis of systematic survey or study of a certain activity. When these data are stored through an electronic media, the term technology arises. The stored data are retrieved and processed in a requisite manner; the processing of data gives the information, which may be used by the customer, manager and Auditor to conclude his approach. The overall resources & technique used in processing of data is termed as Information Technology (IT). The resources include computer consisting hardware & software. Thus the audit of IT sector shall cover the areas of hardware & software and the manpower attached with the recourses. IT audit principles are the same as those which govern all other spheres of audit. The difference is only in application of these principles. By using the computer, the limitations of human processing abilities are eliminated with proper system and design, the tasks can be performed in much the same manner but more efficiently by using the computer as a processing tool. Computers do not alter the basic concepts or objectives of the system control. However, the techniques and points of control must be adapted to the changing conditions and responsibilities of an IT environment.

#### 23.2 Objectives

IT audit includes all activities undertaken to evaluate IT system at any stage of its life cycle; from acquisition or development through operation and maintenance and ultimately replacement. The basic and broad objectives of IT Audit are to see:

**System Effectiveness:** Does the system fulfill the aims for which it was acquired or developed? Does it provide the information needed by users in a convenient format and timely fashion?

**System Economy and Efficiency:** Is the use of system resources (hardware, software, people, and money) optimized?

**Data Integrity:** Are the internal controls adequate to ensure that errors are not introduced when entering, communicating, processing, storing or reporting data?

**System Security:** Are the internal controls adequate to ensure that data can not be altered maliciously or accessed by unauthorized personnel? Are the system resources adequately protected against theft, waste, fraud and natural disasters?

**System regularity:** Are system activities (e.g. acquisition, development, operation, maintenance) in compliance with applicable laws, regulations, policies, directives and guidelines?

#### 23.3 Review of Planning and Acquisition of IT Facilities and use of Resources

The purpose of audit of "IT facilities planning" is to identify the impact of technological and environmental changes and to ensure that the most appropriate IT services are provided. The questions asked are

- Is there a strategic plan for provision of IT services and does the plan take into account organizational, environmental and technological changes likely to occur in a three to five years time frame?
- In auditing IT facilities planning, we have to see whether services are provided in accordance with a published IT policy. The purpose of audit in this case is to ascertain whether there is lack of central coordination of IT.
- A high degree of IT centralization in a decentralized organization.
- Uncontrolled proliferation of computers.

- Lack of user awareness of service availability.
- Any complaint from users regarding service offered.

#### **23.4 Audit of Acquisition of IT Facilities**

The overall objectives in an audit review of acquisition of IT facilities is to see the adequacy of administrative procedures and controls used by a department when considering and deciding upon the acquisition of computer facilities.

Acquisition of computer facilities may include;

- Acquisition of hardware.
- Introduction of completely new installation.
- Enhancement of central processor.
- Enhancement of peripherals.
- Addition/replacement of specific equipment.
- Introduction of several small processors.
- Acquisition of software.
- General software associated with changes in hardware (a new operating system).
- Application Software and 'off the shelf' application software.

The first step in audit should be to identify the organization's computer policy. The degree of complexity of hardware and software installed and cost and time scale for the installation will determine the precise procedure to be followed in each installation.

The auditor should direct his attention to the following areas:

- Justification of hardware and software.
- Feasibility study/project report containing proposals, costs and benefits.
- Equipment selection.
- Installation of equipment and adequacy of testing.
- Post implementation review of costs and benefits.

#### **23.5 Review of IT Installation controls**

Audit of EDP installation controls is closely bound to the audit of computer applications. However, in a large installation, it is usually advantageous to break up the audit into a number of smaller projects each dealing with some elements or with certain functions within the computer department. Hence, the audit project could be broken up into functional units such as a review of data control facilities, organizational controls, environment controls.

The object of review of installation controls is to see that the regulations providing for the duties and responsibilities of various computer staff, other control staff and standards in regard to operation functions, access to computer and computer files, terminal activity etc. are such as to ensure efficient day-to-day running of the computer installation. The areas to be covered by audit are:

- Functions and responsibilities of those involved in installation management and computer processing.
- Procedures for data preparation, data control and operating functions; access to the computer and its software and their custody.
- Terminal controls in interactive systems.
- Physical security and risk management which ensure environmental controls.

The following points should be covered while reviewing the installation controls.

Obtain a list of hardware including computer, ancillary and terminal equipment in use indicating model, performance details and check the existence of this equipment.

Obtain an organizational chart which is up to date and see how the computer fits into the overall organization.

Obtain an up to date staff organization chart of the computer department showing the relative responsibilities and authorities and note any changes on review.

Obtain job specification (role definition) for senior computer staff and supervisors of the ancillary section and note any changes.

Obtain the details of standards and norms fixed for each of the functions like data control, data preparation, system operation and verify their implementation:

Computer utilization per shift in terms of Central Processing Unit (CPU) time and peripheral use.

Key depressions per shift per data entry operator and error allowance

Document standards and controls-batching, balancing and sequencing

Run to run controls maintained by system operators.

Whether manuals are maintained and kept up to date specifying the control procedures and whether they are enforced in practice-through a 'test check'.

Obtain and verify existence of the following terminal controls to protect data and system integrity.

Physical access controls to terminal rooms.

Software controls through password protection and user directories.

Logging of terminal activities by all users.

Obtain details of security measures, both physical and system, for check and review of the following:

Adequacy of protection of hardware and software against risk of fire (fire prevention steps and fire fighting arrangements).

Maintenance of hardware and system software.

Air conditioning and protection against possible radiations, vibrations.

Possible industrial action, malicious action by programmers, operators.

input-output staff (discontent among computer operating staff).

Security awareness and training provided to all employees.

Emergency shut-down procedures in case of power failures.

Safe custody of software and data files and tape library.

Adequacy of back-up files (off-site storage included).

Operator access to program files and data.

Procedures for reconstructing files in the event of loss or disk errors/tape errors (contingency plans).

Computer equipment back-up through the use of compatible equipment at other dispersed sites.

Computer room should be off limits to all except systems operators, hardware engineers and

Insurance of the installation to cover possible risk.

## **23.6 Review of Systems Under Development**

The overall objective of audit is to ascertain whether adequate controls are incorporated during the system development phase and ensure that these controls form part of the operational systems when implemented and that any amendment to the system does not invalidate the controls. The auditor, as a user of the system, should, therefore, involve himself during the system design so that he can evaluate the need for controls and audit requirements while the system is being developed. This will avert the need for 'retrofit' controls at a later date.

While reviewing system under development, the auditor should examine the following points either through questionnaires or by interviewing the system development groups.

- Whether a published standard methodology is being used for designing and

developing systems.

- Whether there is a common understanding by all parties-users, systems analyst, management and auditors – of the basic structure of both manual and computer processing activities, as well as of the concepts and needs for control and of the applicable control techniques. This understanding must be reached first at a non-technical user level.
- Who authorizes IT applications development – user or steering committee or management?
- Whether the system development works as preceded by a feasibility study to determine the most appropriate solutions to standard problem?
- Whether there is adequate cross referencing between the following stages:-  
Content and format of preliminary studies, feasibility studies, system specifications  
programme coding,
- Whether project management techniques such as project decision milestones, time and cost estimates are in place so that progress could be monitored against estimates
- Whether programming standards using modular, structured methodology are being adhered to in coding
- Whether existing in-house or external available application packages were considered before deciding upon new in-house application development

### **23.7 Review of Production Systems**

“IT application” refers to production system, which is processed on an IT facility such as a pay roll system or an inventory control system. When the auditor proceeds to perform the audit of application systems, the process consists of:

Obtaining, understanding and reviewing documentation (physical and documentary evidence)

Interviewing the IT personnel and surveying the users of the applications on production stream for testimonial evidence

Completing questionnaires for testimonial evidence and

Reporting on the basis of physical, testimonial and documentary evidence collected in the course of IT audit

Documentation of applications is a by-product of the system development function. The accepted standards require that documentation should consist of system description, System flow chart, process description, process flow chart, data dictionary, input forms/files, output reports/files, computer operator run manual, user manual, data entry instructions, report distribution. The auditee documentation should be reviewed to see whether it conforms to these accepted standards.

The following IT personnel may be interviewed: IT manager, system analysts, systems development group, supervisors. The purpose of the interview is to obtain the following information.

- whether there is any wastage/redundancy in relation to the work load
- case of maintenance/operation of the application systems
- processing problems such as returns due to inefficient system design/programme coding weakness
- cost effectiveness of ongoing application systems

In the audit of application systems, the most important method of assessing the usefulness of applications is to survey the various users and obtain their views through interviews and questionnaires. The following points may be included:

- Are the users sufficiently aware of what the systems will do for them?
- Are users sufficiently involved in system review, manuals, forms design,

clerical procedures, input/output controls, testing etc.

- Are users aware of responsibilities to make data available, to ensure that all data are adequately processed, to arrange back-up facilities and recovery procedure and to initiate action to incorporate changes in regulations
- What percentage of time the user makes use of computer output
- To what extent the user considers the application important and relevant
- Whether the computer output for the most part has to be reconciled with other documents before it is relied upon
- Is the computer output accurate, timely and easy to use

The audit of an application system, which is operational, involves verification of input/output controls, processing controls and audit trail. Testimonial evidence may be obtained through the following questionnaire in the course of audit to come to a reasonable conclusion regarding existence of controls and their adequacy.

- Whether the data processed are genuine, complete, accurate and not provisional
- Whether expected output is produced and distributed on time
- Whether application programs process the data as intended and accurately
- Whether a complete audit trail is available for tracing back a transaction from the final result to the initial input
- Whether the data and changes to it are authorized by appropriate authority both in the user and computer departments
- Whether schedules for receipt of input data are maintained and what is the extent of compliance
- Whether there is a preliminary check on input data to ensure completeness
- Whether the application system provides for the following programmed controls
- Check for missing/duplicate transactions
- Check for continuity of goods invoice numbers issued by a station for missing numbers
- More than one subscription for the same month for one Provident Fund account number
- Controls on rejected items and keeping them under computer suspense

The monthly treasury transactions are rejected if they do not have valid heads of account as given in the budget master. The rejected items are kept under suspense and control totals along with valid transactions tallied with the cash account and list of payments.

Rejection of issue notes in a stores accounting system due to want of balance.

Input validation for data purification (alpha-numeric checks to conform to data types), personal identity number should be numeric, Station name field is alphabetic (depends on system requirements), Limit/range checks.

Overflow checks.

Some fields should not be blank or zero (mandatory fields).

In a leave accounting system, the leave type code cannot be left blank since the entire transaction will be invalid without this.

A treasury transaction should indicate in the relevant fields whether it is voted/charged, plan/non-plan and not be left blank.

Check digits.

In a payroll system, the account number, which is a control field to identify an employee, has a built-in check digit. The program works out the check digit on the basis of the account number input and verifies the correctness of the check digit given.

Compatibility checks: e.g. if the transaction type is for official receipts in a financial accounting system, the account cannot be a negative value.

Totals for batch/lot: e.g. the batch total for a major head under a treasury is worked out on the computer and tallied with the total given in the schedule of payments/receipts for that batch (to ensure complete accounting of transactions in a batch).

Record totals summaries for reconciliation; e.g. in a freight accounting system, when a goods basic tape is created it gives the total number of records, which should tally with the total number of invoices input.

Whether output reports are test-checked before being distributed to the user department and the output is produced in accordance with a prescribed schedule.

### **23.8 Audit Trail and its Objectives**

The audit trail objective is to obtain sufficient evidence regarding the reliability and integrity of the application system. To achieve this, the audit trail should control enough information to allow management, the auditor, and the user;

to recreate processing action

to verify summary totals and

to trace the source of error and abuse.

The audit trail should include the following information:

System information including start up time, stop time, restarts, recovery etc.

Transaction information including input items which change the database, control totals and rejected items (relevant to database application).

Communication information including terminal log on/off, password use, security violation, network changes and transmission statistics (relevant to transaction processing (TP) applications).

In a computer system, the audit trail may not always be apparent as in a manual system since data are often retained in magnetic media and output is limited to a small number of total items processed with reports produced only on exception basis. The general procedure is to first investigate control totals and run to run totals within the whole system and then to check and substantiate the audit trail by limited checking through records and files or by taking intermediate printouts of audit interest. If the design of the computer system does not provide for adequate audit trail, this should be brought out in audit review, highlighting control weakness or lack of controls in the system. Apart from this, there is a possibility of frauds, which might go undetected due to control weaknesses.

### **23.9 Audit of Database Systems**

The advent of database management system (DBMS) with the new generation of computers has brought about a shift from conventional batch processing to on-line interactive processing. DBMS requirements are developed in the light of a set of basic objectives; viz. data independence, reliability, non-redundancy, integrity, security, performance and compatibility with the existing concepts.

While reviewing the DBMS, in addition to general guidelines given for the audit of application systems, the auditor should see that

The DBMS in use meets the requirements in the light of the basic objectives stated above

Procedures exist for

Access controls (user's "right to know" and need to know basis with field level access control definitions)

Maintenance of back-up

Journalizing all transactions for reconstruction in case of a crash

Roll back and recovery and

Ensuring data integrity by protecting the stored data from being contaminated

through exclusive and shared control and by imposing restrictions on the values that can be assigned to data items. When an application program terminates part way through an update procedure, it should be possible to reverse the effect of changes to the database.

The data dictionary is complete and update and could be relied upon as a comprehensive documentation and

There is a data administrator who is assigned the responsibility for describing the data, defining the data relationship and mappings, establishing data security rules, specifying performance measurement procedures and evaluating the system on the basis of the results.

### **23.10 Review of Microcomputers/Office Automation**

In the past any cost justification of computer facilities was relatively straight forward because savings in staff could very easily be identified and these savings usually outweighed the cost of computerized applications. This approach is no longer practical as the advent of microcomputers and the introduction of IT have shifted the emphasis from cost justification to improvement in the quality of service and better management control of the resources available. This aspect should be borne in mind by the auditor while reviewing microcomputer based system.

The purpose of audit is to see

Whether there is a comprehensive IT Policy for the organization

That there is no unplanned proliferation of computers due to lack of coordination of

IT facilities and

That only persons with extensive specialized training are employed to use microcomputers, to ensure quality and standards of data processing (when tools are introduced and used without detailed understanding, the potential for misapplication always exists)

The software industry is full of “user-friendly” packages for microcomputer systems, but in many cases these programs have limited capabilities and are more suitable for the novice operator. Users quite often do not consider what their requirements are and this can have far reaching consequences with regard to acceptance of the system

Audit implications of office automation stem from weakening overall controls in the office automation environment. Major control implications of office automation are listed below

Loss of audit trail due to reduction/elimination of paper work.

Rejection of source documents/authorization and authentication of input.

Information access by more people and hence possible abuse.

Creation of sub-standard systems and

Inadequate back-up and recovery facilities.

These control applications apply equally to any microcomputer based system in operation. Therefore, audit should verify that at least the controls, procedures and security aspects that are currently available in the manual system are taken care of, if not improved upon, while designing an automated system. In addition, audit should verify that network security, proper communication provision and user interface exist where automated systems are installed and in use.

In general, information should be automated only when there are clear benefits to be gained from doing so. For example, automation makes sense if the volume of information is large, requiring analysis in several different ways and/or used by various users in different ways.



### 23.11 IT Audit Techniques

IT audit techniques refer to the use of computers, including software, as a tool to independently test computer data of audit interest.

Some well-established techniques are

1. Collecting and processing a set of test data that reflects all the variants of data and errors which can arise in an application system at different times.
2. Using integrated test facilities, built into the system by the auditee to help the auditor in his requirements, as one of the users of the system.
3. Simulating the auditee's application programs using audit software to verify the results of processing.
4. Reviewing program listing periodically to see that there are no unauthorized alterations to the programmes.
5. Using either commercial software or in-house developed programs to interrogate and retrieve data by applying selection criteria and to perform calculations.
6. Extracting samples of data from the auditee database/files, using sampling techniques, for post analysis and review. The nature of data and type of analysis required determine what technique is to be employed. The auditor should give the same size and design.

Computer audit techniques are applied for:

- verification of ledger balances and control totals independently
- recalculation of critical computerized calculations to check mathematical correctness
- range of checks to verify the working have gone into the master file
- detection of data abuse/frauds and
- substantive testing with large volumes of data which is difficult, if not impossible, in a manual audit process.

The particular computer audit technique employed depends on the type of application system under review, the extent of testing required and the availability of resources in terms of computer facilities and level of IT skills among the audit staff (audit skills are assumed here). Where data volume is small and adequate printed information is available to carry out a meaningful clerical audit, there is no need to employ computer techniques, which are costly and time consuming. To elaborate further, the auditor should break up his project of application system audit into three stages. In the first stage, he will carry out the examination of audit trails, intermediate printouts as required, system logs, operational controls. As a result of audit in the first stage, if the auditor feels that the adequacy of controls requires further verification, in the second stage he can carry out compliance testing by using the test check method and integrated test facilities with resident audit programs. If the compliance testing exposes some control weaknesses, substantive testing may be resorted to in the third and final stage using retrieval software and simulation techniques with audit software.

Some IT audit techniques are briefly described

#### **Test Deck Method:**

In this method, the auditor prepares both real and fictitious data to test the accuracy of the programs. In designing the test data, care should be taken to include all variants to test all possible conditions. Using this techniques audit can check whether

the system and programs operate as specified in the documentation  
only valid data is accepted and processed correctly  
erroneous data is rejected as anticipated and

exception conditions are tested by the application programs to avoid absurd results.

*Integrated Test Facilities:* This technique requires involvement of auditors at the system development stage. Separate programs are written exclusively for audit use and are operated by auditors at periodic intervals. These programs reside in the software as an integral part of the application system. For example, all the transactions which affect the master file could be written into another file for post audit and review. Similarly, audit modules could be built into the system to check exception conditions, like stocks below minimum levels, issues without balances and purchases of items when no issues have recorded, in the case of an inventory control system.

*Simulation Using Audit Programs:* While, in the test deck method, the auditee's programs are tested with the auditor's data, in the simulation method, the auditor uses his own software to test the auditee's data and then compare the results of this independent processing with those of the auditee. This is a very time consuming and expensive method. Moreover, this calls for special programming skills on the part of the auditor. Employment of this technique is generally discouraged. It is certainly not suited to our environment since we do not have the required time or resources. The time required for developing simulated systems could be profitably employed in developing new systems of audit interest.

*Program Review and Comparison:* This technique requires programming skills on the part of the auditor to periodically go through the program listing and compare such listings for each application system. It is a time consuming method. There are utilities available today for comparison of files on the computer itself. However, the examination of program listings can only be done manually. This technique is not recommended for our environment since we do not have the time or resources to do this job. Moreover, the object module could be manipulated by a skilled programmer without touching the source program files, in such situation; the examination/comparison of program files does not serve the purpose.

*Retrieval/Interrogation Programs:* Retrieval software should be comprehensive and include the following functional routines/ facilities to

retrieve record by record from a file  
total value fields for reconciling computer figures with booked figures  
perform calculations on numeric data to check the resident modules' mathematical correctness

sort and merge data in any desired sequence

select data from an indexed file on any desired criteria and

print reports for post-audit analysis and review

There are a number of commercial packages like ACL, IDEA available off the shelf. There are versions for use both on conventional files and data base systems. The auditor can also develop in-house retrieval programs. Such projects are not only expensive but also call for high levels of programming skills and knowledge of a variety of computer languages. Also auditee data files would require conversion to an acceptable format before retrieval software can be used. Even for using commercially developed packages, the auditor is required to possess:

knowledge of the computer system with the auditee

programming skills to construct queries and retrieve data

knowledge of the operational aspect of the package and

the layout of data files subject to examination

(Availability of computer resources and time is assumed)

Today many DBMSs have built-in query and report writer facilities. Unstructured queries on the data files are also possible in some advanced systems. These utilities

could be profitably employed for audit purpose. The auditor will be able to obtain the relevant information from the auditee's computer centre.

The distinct advantages of retrieval packages over other methods are 100 percent review of data and accuracy of processing and effective use of the auditor's time in analyzing results of interrogation. Use of retrieval software will, however, always remain a problem area primarily because of the multitude of hardware and software systems in use in various departments, necessitating expertise in several programming languages.

Work Papers of IT Audit: The preceding processes are only tools in the hands of the artisan, namely the IT auditor. The shape of the final product depends on his level of skills. The work papers at the end of an IT audit exercise constitute the evidential matter on which conclusions will be based. Stated broadly, the contents should address the following issues:

- Does the auditee have an IT Policy or clearly defined objectives for acquiring IT facilities
- How much has been invested in commissioning the facilities and the details of inventory, both hardware and software
- Are the installed IT facilities adequate to meet the objectives
- How are the resources utilized
- What are the applications processed on the IT facilities and their utility and impact on management/users
- Is there a relationship between the management objectives and the products churned out by the computer centre
- What is the extent of controls with reference to installation, applications and processing to ensure safety of assets, data integrity and reliability of the end products
- Is there a review of IT functioning by management and, if so what is the periodicity
- Where does the IT set-up fit in, considering the overall auditee organizational set up and what is the position of the IT in charge

For elaborate details of IT Audit approach, the IT Audit manual may be referred.

## CHAPTER 24

### COSTING CELL

#### 24.1 Costing Cell

The Costing Cell in HQrs Office shall be responsible for cost audit of an entity or a scheme of the Railways (See 3.7.1 to 3.7.3 of Report on Railway Audit Norms). This cell will make the review of station as cost centre and review of costing cell i.e. (a) Traffic Costing Cell, (b) Efficiency Cell, (c) Work study cell and any other entity entrusted with the evaluation of costing constituted by the Railway Administration.

#### 24.2 Stations as a cost centre

The criteria/classification of stations as Very Big, Big, Major and Minor and the No. of days for review are as under :-

Category	Criteria (Annual Earnings of Station)	Party days		Total
		For station	For divisional Hqrs	
Very Big	Rs. 5 Crore and above	5	5	10
Big	Rs. 2 crore and above but less than 5 crore	4	4	8
Major	Above Rs. 50 lakh but less than Rs. 2 crore	3	3	6
Minor	Below Rs. 50 lakh	2	2	4

#### 24.3 Functions

At the Zonal Railway Headquarter the following costing cells are functioning :-

(a) Traffic Costing – Dealing with analysis of cost effectiveness in reference to profitability in respect of (i) Passenger Trains (ii) Transportation of selected commodities with reference to the concession/special rates.

The costing section shall obtain data from these cells and got selected 2 to 5 existing trains, newly introduced trains and frequency increased trains (6 months after introduction) and one commodity for detailed review.

(b) Efficiency Cell – Dealing with evaluation of efficiency and performance of ongoing works at Divisional and Zonal Headquarter level. Data and report should be reviewed by Costing Cell.

(c) Work Study Cell – Dealing with requirement of staff in reference to workload on the basis of yard stick. Costing Cell shall review such work study reports.

(d) Job Costing Cell – Dealing with costing evaluation of the product manufactured in workshops. The costing method as well as cost of each product should be reviewed.

## APPENDIX I

( PARA NO.17. 7)

(Points to be seen during Inspection)

### A. LIST OF ITEMS COMMON TO ALL OFFICES - (PERSONNEL)

Sl. No	Particulars of documents	Nature and extent of check
1	Pay bills, pay bill register, Register of sanctions	<p>Check if there is proper sanction to the post against which the pay is drawn</p> <p>Check whether the employee is entitled to the pay, special pay, leave salary and allowances as drawn.</p> <p>Check all increments drawn in the pay bill with entries in the service records.</p> <p>Check the correctness of the rate of pay drawn in the pay bill with reference to the pay as recorded in the service book in respect of 20% of the items in the pay bills.</p> <p>Check whether the recoveries towards provident fund/contributory provident fund under new pension scheme w.e.f. 1-4-04, rent for quarters, electric energy etc. have been correctly made.</p> <p>Check that the sanctioned permanent strength and temporary strength of the unit checked is not exceeded and temporary posts are not operated beyond the sanctioned period without proper authority.</p> <p>Check the correctness of the allocation by examining the attendance register wherever possible. Cases where an employee is working in a post and pay is charged to another post should be specially watched.</p> <p>Compare the pay bill register with the paid bill taken from the accounts office to see that alterations, disallowances etc. made by the Accounts Office are duly carried out.</p> <p>Check the memorandum of differences of the pay bill for the month selected.</p> <p>Check the original fixation/refixation of pay in respect of the items appearing in the pay bill.</p> <p>Examine the justification for the operation of the posts with reference to the present work load and that mentioned at the time of original creation and extension.</p>
2	Attendance Register & Casual Leave Account & Restricted Holiday A/c.	<p>Check whether the attendance register is being submitted regularly at periodic intervals to a responsible supervisory official and all alterations are attested and that all absence noted in the register has been duly regularised either by sanction of regular leave or casual leave and restricted holiday (this should be done by comparison of entries in the Attendance with leave account, casual leave register/CL and RH card and salary bill). In respect of persons who attend office late it is to be seen whether the time of attendance is being invariably indicated in the Attendance registers and whether the late attendance of staff has been regularised.</p> <p>Test check a few cases to see whether the Casual leave has been granted in excess of 12 days.</p>
3	Overtime bills	<p>Check if there is a proper record of overtime worked.</p> <p>Check if there is necessity for working overtime.</p> <p>Verify the correctness of the rate of overtime paid with reference to the pay.</p>

- Check whether proper sanction has been obtained for working overtime.  
Verify the correctness of the totals in the overtime registers and the overtime hours claimed in the bills.  
Verify the classification of staff under Hours of employment regulations.
- 4 Muster Rolls and Labour Pay sheets See that the muster rolls are properly maintained and labour pay sheets are prepared according to attendance marked on muster rolls.  
Verify the sanction of the competent authority for the engagement of casual labour and the rates.  
Examine operation of ELR posts in lieu of posts for the sanction of which accounts concurrence is necessary.  
Check the attendance marked in the muster rolls and verify periodical surprise checks by the supervisory staff and Gazetted Officers on the spot.  
See that permanent and temporary strength of each gang is not exceeded.  
Check whether labour is actually engaged only on the work to which the pay is charged.  
Watch the roll call of labour gangs, other than those working on the line without previous notice to see that the muster sheets are correctly posted and do not contain fictitious names.  
Labour pay sheets, TA bills night duty allowances bills etc. checked during local inspection should be traced into the works and revenue allocation registers to the extent of 50%.
- 5 Service Books and Leave Accounts See that service registers are opened for all employees and verify that entries on selected service records are posted up to date regarding increments transfers, promotions leave etc. duly attested.  
See new pension scheme w.e.f. 1-4-04. All the employees join in service after 1-4-04.  
Trace into the Service Book/Leave account of all office orders relating to transfers, promotions, suspensions etc. (including sanctions of leave) issued during the months selected for detailed check.  
Check the leave accounts of employees with reference to the leave rules applicable to them and with the absentee lists accompanying the pay bills.  
Test check the leave account to the extent prescribed in the Secret Memorandum since the last inspection.  
Check all leave accounts of staff who are to retire prior to the end of the year in which the next inspection is due.
- 6 Rent Rolls & Register of Buildings. Check whether the rent, water, electric, conservancy and other charges have been correctly recovered.  
Check the rent rolls with the register of buildings.  
Check the authority for the grant of rent free quarters.  
Verify the allotment of quarters to see that maximum revenue is obtained consistent with the rules of allotments.  
Check as to whether quarters are not vacant without valid reasons.

**B. COMMON TO ALL OFFICES - (NON-PERSONNEL)**

Sl. Particulars of Nature and extent of check

No Documents

- 1 Bills and Register Bills Check whether the bills are registered as soon as they are received and passed expeditiously.  
Trace a few of the paid bills taken for test check into the bills registers.  
Whether outstanding bills are not heavy.  
Whether there is delay in passing bills.  
Check whether the bills relating to the month selected for check are posted in the concerned registers such as Tools and Plant, Stationery Register etc.
- 2 Tools and Plant A/c. Check that the inventory of all the articles of dead stock with their price is properly maintained.  
Check whether the receipts, issues and balance are correctly posted.  
Check the receipts with reference to the firms bills or stores debit schedule and the issues with the advice of despatch or credit schedule for the month selected for detailed check.  
Check whether arrangements exist to permit of every article received or issued being immediately accounted for as such and that the stock is subject to departmental verification periodically.  
Check as to whether additions are made under proper sanction.  
Check whether condemnation of the Tools and Plant has been done under the orders of proper authority and the condemned articles are sent to stores depot expeditiously.  
Check whether the Accounts stock verification triennially has been done and the reports are dealt with promptly.  
Whether the pairing of vouchers is done as required.
- 3 Stationery and consumable Account Stores Check proper account of stationery. Check the receipts with reference to Stores issue notes, issue of bills in respect of local purchase and see that issues are made under proper acknowledgement.  
Compare issues with scales laid down.  
Check that the printed books and forms are not overstocked.
- 4 Clothing and liveries account Check whether proper accounts are maintained of receipts and issues and that issues to employees are according to authorised scale.
- 5 Stamp account Check the value of the stamps on hand by actual count and verify the correctness of the balance with reference to the entry in the register.  
Check the entries for the month selected for detailed check.  
Whether ordinary postage stamps received from outsiders are properly taken into account and used in terms of Financial Adviser and Chief Accounts Officer's Circular No. G.18/3/I/1 (Spl) dated: 17th July 1956.  
Make a test check of a few items at despatch by Registered post with office copies.  
Check whether the postal receipts for all registered letters have been obtained and preserved systematically.  
See whether the account is balanced periodically and checked by a senior subordinate of the office.

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| 6  | Imprest Account   | <p>Check the balance of imprest cash on hand and examine the entries for current month and see if the balance is correct.</p> <p>Check the propriety of the expenditure relating to the month of account selected for detailed check.</p> <p>Check whether the imprest appears in excess of requirements and suggest reduction to be imposed, if any.</p> <p>See whether the imprest vouchers are cancelled after payment is made, to avoid duplicate payment.</p> <p>Check as to the arrangements for the safe custody of cash.</p>   |
| 7  | Railway materials consignment.  | <p>Check whether the Railway materials consignment Notes are issued only to the transport of Railway materials.</p> <p>Check whether the credit notes are issued wherever necessary only. (This should be seen with reference to purchase orders placed by Controller of Stores and others).</p> <p>Check the debits in the carriage bills with reference to the office copy of the Railway materials consignment notes and credit notes.</p> <p>Check that the carriage bills are being regularly sent by the FA &amp; CAO for incorporation in the relevant accounts of the Divisions.</p>   |
| 8  | Adjustment Memo   | <p>Check whether adjustments are in order and sufficient reasons are given for each adjustment.</p> <p>Check the propriety of the adjustment with reference to the sanctioned estimates and other relevant documents, it being particularly seen that the claim payable by the Railway is a legitimate one and is covered by the sanction of competent authority.</p> <p>See that the adjustments do not disclose a defect in the system of accounting or any objectionable or unusual feature or indicate any financial irregularity.</p> <p>See that adjustments are not made solely with a view to avoid the surrender or lapse of funds.</p> <p>Any tendency to make fictitious adjustments in order to evade audit objections or to confirm the estimates etc. should be specially noted.</p> |
| 9  | Write off statements and sanctions  | <p>Check the competency of the persons who have sanctioned the write off certificate.</p> <p>Check what action has been taken by the Administration on the staff responsible for the losses/damages.</p>   |
| 10 | Miscellaneous-Cash Register, Cash Receipt and Cash remittance notes - Misc. cash returns sent to Accounts Office. | <p>Check whether cash receipts have been duly acknowledged and remitted to the Station Master/Cashier.</p> <p>Check whether subordinates at outstations who receive and remit money direct, render proper account thereof to the Divisional Offices at the end of each month.</p> <p>Check whether a consolidated statement of remittances along with a copy of the cash remittance notes is sent to the PFA.</p> <p>Compare the cash receipts with the remittance notes for the months selected to ensure that all the cash received have been remitted promptly.</p> <p>Delay in the remittance of cash, if any, noticed may be investigated and commented if necessary.</p>   |



- 11 Pay orders Check the pay orders paid during the month of test check with the office copies of the same in the office of issue and check as to their admissibility.  
Check whether pay order books are kept under lock and key and handled only by responsible officials.
- 12 Stores account - comparison of issue notes with indents - advice notes of returned stores. See that the requirements of stores are reasonably assessed.  
See the adequacy of the machinery in the Divisional/Head Office for sanctioning the indents received from the subordinate offices.  
See that on receipt of the materials the particulars of issue notes, quantity actually received etc. are noted on the office copy of the indent as required.  
See that comparison of the second foil of the issue notes with the fifth foil accompanying the daily summary of issue notes received from the Stores Accounts Office is made as required, to ensure that the quantities of stores billed for are correct with particular reference to the transaction of the month selected for detailed check.  
Scrutinise the systematic check, disposal and account of issue notes and daily and monthly summaries received from the Stores Accounts Offices.  
See that the departmental register of advice notes is correctly maintained and that there are no cases of omission to acknowledge the stores or to afford the credit for the same within one month of the advice notes.  
See that arrangements exist for the receipt, check and account of stores returned from the subordinates and check the return for the month selected with reference to the initial records. In the case of inspection of sub-offices having imprest stores the transactions for the month selected for detailed check should be completely checked with reference to the initial records such as issue vouchers.  
Stores Bills should be traced into the concerned numerical ledgers.
- 13 Auction sales, if any, Check whether an agreement is entered into with the firm, when the sale of railway materials by auction is to be conducted by an auctioneering firm.  
Check whether conditions of sale are drawn up before sale.  
Check whether the loading of auctioned material is made in the presence of stock verifier after the cash is received.  
Check whether the auction sale register is maintained properly and reviewed.  
Check whether the ground rent is charged if the materials are not removed within the fixed time and all amounts are realised on account of ground rent.
- 14 Register of repairs to typewriters, office bicycle and other office appliances. See that a register is maintained to indicate the particulars of each machine viz. company's name, number of typewriter, date of purchase, cost, spare parts given by the company at the time of purchase etc.  
See that all expenditure incurred for repairs and overhauls are correctly posted in this register.

- Check the expenditure on periodical servicing. It should be seen in cases where free servicing is agreed to for certain periods after purchase or overhaul, the concession is availed of. See whether condemnation of a typewriter is done after approval by the proper authority.  
See that a register is maintained to indicate all the particulars of the cycles maintained in the office.  
See that the cost of repairs and spare parts purchased are also indicated in this Register.  
See that the cost of repairs and spare parts purchased are also indicated in this Register.
- 15 Register of losses including damages/deficiencies .  
Check whether a register of losses is maintained properly with due such as the money value of loss, circumstances under which it has taken place, the staff responsible etc. and if prompt report to police made.  
Check whether any disciplinary action has been taken against the staff responsible.  
See that the reports wherever necessary are sent to the Railway Board and PDA.
- 16 Check of cash value and other machine numbered books  
Check that all the machine numbered books are kept in safe custody that they are received in seriatim and used for proper purposes.  
Check the number of unused books with the register maintained for issues.
- 17 Review of expenses in connection with entertainment of outsiders in connection with official business  
Check that the expenditure incurred has been sanctioned by competent authority.
- 18 Review of previous Audit and Accounts Inspection Reports  
Self Explanatory.
- 19 Empties Account  
Necessary check to be conducted as stated under 1718-S.
- 20 Register of Agreement  
General Review.
- 21 Tenders and Contracts  
Review contracts of value below Rs.5,000/- to the extent prescribed in the Secret Memorandum of Instructions.
- 22 Review of Inspection Reports of General Manager, Head of Departments, Divl. Rly. Manager etc.  
See if any serious financial irregularity is noticed.

**C. OFFICE OF THE GENERAL MANAGER (GENERAL, STATISTICAL INCLUDING EDPM AND PLANNING INCLUDING EFFICIENCY CELL & STAFF INSPECTION UNIT).**

1. Log Book of office staff cars and petrol account.
2. Review of sanctions of grants to outsiders.
3. Issue of passes to Quasi-Railway Departments and to persons other than Railway employees.
4. Review of Sanctions issued by General Manager and sanctions Register.

5. Staff Benefit Fund sanctions.
6. Review of the fixation of out-turn for payment of special pay to operators of various machines.
7. Review of the allowance to part time operators.
8. Travelling Allowance Bills of members of Advisory Committees on Railways.
9. Action taken on Efficiency Bureau studies.

#### D. OFFICE OF THE CHIEF ENGINEER (GENERAL MANAGER/WORKS)

1. Tenders and Contracts executed by the Chief Engineer,
2. Review of the accounts of Sleeper depots.
3. Basic Schedule of Rates - Review of periodical Revision of Rates.
4. Lease of Land - Engineering leases.

#### E. OFFICE OF THE Principal CHIEF MECHANICAL ENGINEER/GM/MECHANICAL)

1. Special works trials and experiments carried out under the orders of the Railway Board or other authorities - Review of their performance.
2. Work Orders - Execution of works in shops for outsiders.
3. Reports relating to incentive scheme and working of the same.
4. Rolling stock account/proposals for additions and renewals - condemnation of rolling stock.
5. Machinery and plant - Delay in installation and commissioning - Idle machines.
6. Postal vans.
7. Conversion, building and maintenance of special types of wagons/coaches in shops.
8. Economics of shop manufacture of stores items - utilisation of spare capacity in Railway workshops.
9. Accounts of spare parts such as Boilers etc.
10. Introduction of dieselisation and working of the Diesel Engines.
11. Review of the cost of POH/IOH and special repairs in shops.
12. Review of Inspection Report of fuel Inspectors weigh bridge inspectors and handing over reports of Mechanical Engineers.

#### F. OFFICE OF THE CONTROLLER OF STORES/ - GENERAL MANAGER/STORES

1. Examination of indents for stores.
2. Scrutiny of sanction to quantity and purchase through Programme of indents placed on the DGS&D.
3. Disposal of overstock and surplus stock.
4. Purchases.
5. Statement of non-stock items.
6. Lorry movement Register.
7. Register of stock items received and disposed of - Review of results of stock verification for a period of five years.
8. Register of materials received without documents.
9. Accountal of stores on loan.
10. Custody and disposal of scrap.
11. Auction sale Account - Lot Register.
12. Price preference order Registers.
13. Purchase orders.
14. Shunting yard Register.
15. Weighing machine register.
16. Rejection Register.
17. Samples Register.

18. Register of defaulting firms.
19. Register of short receipts.
20. Survey Reports - Review of
21. Percentage of loss.
22. Verification of records in respect of the show room at Chennai.
23. Verification of claims against material, price escalation claims of contracts entered into with the various firms by PFA.

**G. OFFICE OF THE Principal CHIEF COMMERCIAL MANAGER - GENERAL MANAGER/COMMERCIAL**

1. Lease of lands - Policy Matters.
2. Credit Note Register
3. Test weighment of Newspaper Parcels.
4. Handling contracts and tenders.
- 5 Secret delivery contracts and Out-Agency contracts.
6. Cycle stand contracts - Policy matters.
7. Review of Revision of rates of cab licence fees.
8. Lost Property Office Auction Sales, Review of lost property accountal and
9. verification of inventory with the Office Manager/PCCM's office.
10. Register of concessions.
11. Review of statistical data regarding claims.
12. Review of compensation claims.
13. Remission of demurrage and wharfage and connected policy matters.
14. Issue of concessions to public.
15. Issue of circular tour tickets and their accountal
16. Refunds by CCM - Coaching and Goods.
17. Siding charges - Review of periodical revision of rates.
18. Accountal of saleable Tariffs and other publications.
19. Debit Register and Excess Fare Ticket Register.
20. Excess Fare Ticket Stock Book Register.
21. Review of Headquarters Travelling Ticket Inspector sections.
22. Review of the earnings of Ticket Checking establishment.
23. Register of uniforms supplied to Travelling Ticket Examiners and Travelling Ticket Inspectors - Review of
24. Payment of conveyance allowance to Honorary Magistrates and their accountal.
25. Licence fee for Porters.
26. Review of special services, Freight forwarders, Container service, Mobile booking and other services.
27. Review of the working of Halts.
28. Review of classification of stations for levy of wharfage and demurrage charges.
29. Review of Agreements in respect of personal weighing machine.

**H. OFFICE OF THE Principal CHIEF OPERATION MANAGER - GM/TRANSPORTATION**

1. Scrutiny of accounts of Time Tables issued to Book stall keepers for sale and return of unsold copies and their disposal.
2. Review of the fixation of commission charges for the sale of Time Tables by Book stall keepers.
3. Agreements entered into with the contractors for the printing of Vernacular Maps and Time Tables.
4. Utilisation of special type of wagons coaching stock - Review of Imposition of restriction in bookings.

5. Axle load restrictions - Review regarding removal of.
6. Review of revision of line capacity consequent on execution of line capacity works.
7. Power plans.
8. Delays in recovery of dues of special trains, saloons etc.
9. Hire charges on Rolling stock.
10. Compensation Awards in the case of accidents.

**I OFFICE OF THE Principal CHIEF ELECTRICAL ENGINEER - GENERAL MANAGER/ELECTRICAL**

1. Review of agreements regarding purchase of Electricity from outside sources.
2. Fixation of Rates for the supply of Electrical Energy to Railway employees and outsiders.
3. Tenders and Contracts.

**J OFFICE OF THE Principal CHIEF MEDICAL DIRECTOR - GENERAL MANAGER/MEDICAL**

1. Purchase of Medical Stores: See that the financial limits laid down for the direct purchase of medical stores are not exceeded. See that in regard to items such as camphor etc. distributed by the Government Agencies such as the State Trading Corporation. The same are not obtained through private sources. See that purchases of medical stores from the imprest are done only in very exceptional cases and normally the procedure of obtaining the medicines through contracts is followed.
2. Stock ledgers (of the Medical Depot attached to the Chief Health Manager's Office):
3. Check that there is no excess stock of medicines with particular reference to the date of expiry of potency of the medicines. See that the medicines, tonics classified as inadmissible for reimbursement of medical expenses are not stocked for general issue to the patients as distinct from usage in hospitals/ dispensaries. See that their issues are made over on the basis of authorised requisitions/prescriptions.
4. Grants-in-aid to private medical institutions: See that the Railway derives adequate benefit in regard to the grants made and that the original consideration on which the grants were agreed to still hold good.

Charges paid to Private Government Sanatoria for the treatment of Railway servant for TB etc. See that the number of beds reserved at Railway's cost in the various sanatoria have been utilised. Compare the rate charged by the various sanatoria and the number of Railway employees undergoing treatment with a view to see whether there is any scope for the reduction of the number of beds reserved in the sanatoria, which charge higher rates, See whether rebates if any, for non-occupation of beds are allowed.

5. Expenditure on family planning: See that the expenses involved are correctly assessed as the debits in this connection are borne by the Government of India.

**K. OFFICE OF THE PRINCIPAL CHIEF PUBLIC RELATIONS OFFICER - GENERAL MANAGER/PUBLICITY**

1. Advertisement Bills payable by Railways.
2. Charges for Public advertisements exhibited at Stations, Yards, Trains and
3. Time Tables, the revision of rates charged to public.
4. Tenders and Contracts.
5. Charges incurred in connection with the publication of weekly news items.
6. Imprest for entertainment expenses and furnishing statements of expenditure to the General Manager.
7. Review of the Administrative Reports.

8. Review of Royalties from book stalls.
9. Review of expenditure on participation in exhibition.
10. Review of steps taken in augmenting publicity revenue.
11. Licence fee for Vendors and book stalls.
12. Accounts of Photography.

L. OFFICE OF THE CHAIRMAN, RAILWAY RECRUITMENT BOARD, Prayagraj.

1. Register of Receipts and Expenditure.
2. Review of Administrative Report.
3. Review of Policy matters regarding printing and supply of application forms to Divisions.
4. Review of passes to candidates called for interview.
5. Remuneration paid to examiners and valuers.
6. Expenditure for conducting mass examinations.
7. Method of disposal of old Answer Books.

M OFFICE OF THE CHIEF CASHIER.

1. Verification of imprest cash including the amount in the general section of the PFA's office and the Assistant Cashier.
2. Imprest Vouchers.
3. Pay Master's Cash Book.
4. Check of miscellaneous cashbook and cash receipts.
5. Cashier's cashbook.
6. Check of Cash Books of selected Pay Clerks and reconciliation (Postings of Bills and Cash Receipts).
7. Record of verification of cash by the Accounts Department.
8. Uncurrent coins and their accountal, rejected coins rejected by the Reserve Bank - realisation of credit from mint.
9. Short remittances by station in cash bags.
10. Service agreement forms accounts.
11. Transactions with the Railway Employees Cooperative Bank & societies etc.
12. Vouchers received with station collections and on hand.
13. Line payments and their programme.
14. Important results of PFA's office inspection.
15. Review of general working of the Cash Office.
16. Specimen Signature of Bank officials.
17. Conveyance and Security for the remittance/withdrawal of cash from/to
18. Bank/Treasury and transport of cash from one place to another.
19. Remittance of cash by authorised stations to cash office when more than one Bank holiday occurs in any period.
20. List of Cash witnesses.
21. Register showing distribution of bills made over to Pay Clerks.
22. Liability Register.
23. Outstanding Vouchers and outstanding Register.
24. Arrangements for the custody of cash in strong room.
25. Cheques - returned register and register showing number of cheques received despatched and balance.
26. Delay in remittance of Cash of Stations and out-Agencies

N. OFFICE OF THE DIVISIONAL RAILWAY MANAGER (GENERAL) - NON-PERSONNEL

Sl. No.	Particulars of documents	Nature and extent of check
1	Arrangements of Regional Railway users Consultative Committee Meetings and incurrence of expenditure on this account, i.e. travelling allowance to the Member and entertainment expenditure.	See whether the travelling allowance paid to the Member is admissible under the rules and all cases of Travelling Allowance to Members of the Legislature/Parliament are reported by Divl. Accounts Officers to PFA for sending a consolidated statement to the Accountants General concerned. See whether the entertainment expenditure is incurred satisfying the conditions stipulated in Chapter V - F1.
2	Expenditure incurred in connection with Railway week, Republic Day etc. Celebrations	See if the expenditure is authorised and accounted for properly and it is within the amount allotted.
3	Register of sanctions by Junior Officers on behalf of the Head of the Office.	See if a list is being submitted periodically to the Divl. Railway Manager
4	Log Book of Staff Cars	See whether the staff cars have been used for official purposes only.

#### O. OFFICE OF THE DIVISIONAL RAILWAY MANAGER (WORKS)

Sl. No.	Particulars of documents	Nature and extent of check
1	Review of tenders and contracts - Agreements work orders and work order requisitions - schedule of rates and Zonal Rates - Register of Agreements.	<p>Check whether the register of tenders is properly maintained.</p> <p>Check whether the tenders have been called for well in advance and wide publicity given.</p> <p>Check whether the rules in regard to call of limited and open tenders have been observed.</p> <p>Check whether a tender committee with one Accounts Officer have scrutinized the tenders and reasons have been recorded for accepting tenders other than the lowest.</p> <p>Check whether extra payments sanctioned are in order.</p> <p>Check whether penalties have been levied for delay in completing work or supplying materials.</p> <p>Check whether every agreement or work order entered into with contractors have been entered in a register and necessary particulars of bills passed entered in the concerned page.</p> <p>Check a few important agreements to see if rates and conditions agree with those in the accepted tenders.</p> <p>Check important work orders to see if (a) they are duly authorized by competent authority; (b) rates different from the schedule of rates are justified; (c) reference to bills passed has been noted in the work orders; (d) the work has been completed within the due date failing which penalties are imposed; (e) whether after final payments, work orders are duly crossed.</p> <p>Check whether an up-to-date schedule of rates based on</p>

detailed calculation of cost of labour and materials as well as recent tenders exist.

Check whether the grant of passes, railway tools, trucks etc. is covered by the terms of the contract.

See whether the agreements entered into by the Works Branch are systematically recorded and whether the list of contracts finalized sent to this office is correct and complete.

2 Measurement Books, Measurement Book Register, Standard measurement book and white washing register- Contractor's Bills - Contractor's Ledger - Issue of materials to contractors level Book and Earthwork Statement.

Check all the Measurement Books in use to see whether (a) the index has been maintained up-to-date; (b) the name of work, name of contractor, reference to work order number and date and the date of measurement have been entered; (c) the date of measurement as recorded at the top of the page tallies with the date affixed by the officer who took the measurement under his signature; (d) the contractor's dated signature has been obtained on the date of measurement; (e) reference to bill passed is noted and a diagonal cross is made in the ages to indicate that the bill for the measurement has been passed (This cross is to avoid a double claim); (f) there are any alterations and if so, both the contractor and the engineer have attested; (g) there are any delays in taking measurements after the works have been completed; (h) in the case of dismantling works, the measurements have been recorded prior to dismantlement; (i) in the case of final measurements, the contractor has accepted the claim as final. Verify the diaries or TA journals of Officers who took the measurements with the date of measurement recorded in the measurement book.

Check whether all the completed Measurement Books are returned to the District office.

Check in cases, where subordinates are authorized to record measurements. Whether test checks have been systematically carried out by GOs.

Trace the measurements recorded in the original bills of the month of test check taken out for inspection into the relevant Measurement Books to ensure their correctness.

Check whether a register showing the issue and return of Measurement Books is kept and whether actual stock of unused books on hand tallies with the Register.

Check the contractor's bills taken from the Accounts office with office copies of the bills to ensure that bills have been correctly prepared; that rates and quantities are correct.

Check whether all the transactions in respect of the accounts of each contractor-debits and credits or recoveries and payments, have been completely exhibited in the contractor's ledger.

Trace the entries in respect of the bills taken out for test check into these ledgers.

Check when stores contract is for both labour and materials whether the issue is brought to debit in the contractor's accounts.

Check some entries to see if there is periodical reconciliation between the balance in the contractor's ledgers and the "due



by” and “due to” columns in the work registers.

Where a contractor is to use railway materials when such rates are lower than the market rates, check that the contractor has not taken more materials than that required for the work.

Check recovery of cost of materials issued in contractors and charges for ballast trains used by them.

Check whether book adjustment of freight charges on railway materials is done.

As regards Standard Measurement Book, a test check should be made to see that the service/residential building for which painting/colour washing/white washing is done really exists with reference to the Register of Buildings and the dismantlement statements.

In respect of earthwork, the bills are to be checked with reference to the level book earthwork statement and measurement book.

- 3 Arrangement for the receipt issue and custody of stores - Stores accounts Debit and Credit schedule - comparison of issue notes with indents and budgeting of stores account - Balance returns of PW materials and PWIs balance returns for imprest, Losses of theft of PW materials, materials-at-site account, PWIs handing over reports - Adjustment mema.
- Check the arrangement and procedure for verifying the quantity and quality of stores received for stock and material delivered at the site of works and see that the system is complete and reliable.
- Check whether the accounts of suppliers are not settled finally before proper inspection.
- Check the arrangements for the receipt (including weighing, tallying the receipt with bills etc. inspection of materials and accounting in day book or other records) and issues of stores.
- Check the procedure of verification on the part of issuing officer of the quality and quantity of stores issued from stock and of recording them in documents.
- Check whether the indents received from the various subordinate offices for the supply of materials for works and maintenance have been carefully scrutinized to ensure that the quantities indented for are not in excess of actual requirements and that all requisitions for stores are properly filled in and submitted as per extant orders.
- Check whether the disposal of issue notes and daily and monthly summaries received from the stores accounts offices are being scrutinized systematically to ensure that the quantities of stores billed for are correct.
- Check whether losses of theft of PW materials are immediately reported to the Watch and Ward and Police and steps are taken to recover the loss and whether responsibility is fixed on any staff.
- See that there are no materials lying unused for a long period in the control of inspectors.
- Check whether the debit for materials issued to other divisions has been duly raised.
- Check in detail the balance returns with reference to the daybook of receipt and daybook of expenditure and challans.
- Check in the case of renewals of permanent way whether the number of old rails and sleepers taken out is approximately equal to the number of new ones put in and whether a proper account is maintained of the released materials and action

taken to dispose of them.

Check whether materials are not in excess of actual requirements judging from past issues.

Check whether materials taken out for work are properly brought on to tally books and that on works being completed, all unused and released materials are returned to department.

Check whether the materials-at-site account is maintained correctly.

Check whether adjustment memos are prepared in respect of stores issued to and action taken to clear the HAS accounts.

Check whether the handing over reports of PWIs reveal any discrepancy and necessary action taken thereon by the Divisional offices.

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| 4 | Extra labour requisitions and payments/Daily labour report register and statements, work charged establishments and nominal rolls, Review of gang strength and engagements for night shift work, Register of recovery of cost of tools lost by workmen. | Check whether engagement of extra labour was duly authorised and justified.<br>Check the actual strength of the permanent gang with the sanctioned strength.<br>Check whether cost of departmental, labour lent to contractors is recovered.<br>Check whether the attendance has been test checked by an Executive Officer at least once in a month.<br>Check whether the payments to labourers have been witnessed by responsible person.<br>Check whether the subordinates send the daily labour reports on the next day to the Divisional Officer giving the details of the work on which the labour is employed.<br>Check whether labour is actually engaged only on the work to which their pay is charged.<br>Check whether a register of recovery of cost of tools lost by workmen is properly maintained and recoveries affected. |
| 5 | Sleeper Register, Cement Register and write-off of caked cement, Register of breakages.   | Check the sleeper register by tracing in it the issue of sleepers as per the balance returns of the PWI.<br>Check whether proper accounts are kept of all obsolete unserviceable sleepers and that in the case of renewal of sleepers, whether the number of old sleepers taken out is approximately equal to the number of new ones put in.<br>Check the cement issues as per the register with reference to the balance returns of PWI.<br>Check whether necessary adjustment of materials stores used is made to the works concerned.  |
| 6 | Ballast Depot statements/ ledgers - Engine hire bills, Ballast journals and bills.  | Examine the system of obtaining ballast by calling for tenders etc.<br>Check the system of measurement of ballast and inspection of quality.<br>Check whether ballast ledgers are currently and correctly maintained.<br>See that freight charges have been adjusted at public tariff rates in respect of carriage of materials for Deposit works and the materials of contractor.<br>See whether engine hire charges are prepared and adjusted promptly.   |
| 7 | Register of private   | Check the agreements in connection with private and assisted  |

- and assisted sidings with reference to the extant rules.  
 sidings (including Check whether charges incurred during then year have been  
 recoveries of properly collected and included in the bill.  
 charges due) Check whether there are any sidings, which have been  
 Register of unprofitable for an extended period and are not likely to bring  
 usufruct trees - enough traffic to the Railway to justify their retention.  
 Register of Compare the list of assisted sidings with goods tariff to see if  
 working lists lease there is any omission.  
 registers relating to Check whether correct recovery of maintenance and interest  
 land, pipe lines etc. charges on the cost of siding and on the special staff engaged  
 Register of water on the siding or interest and maintenance charges for other  
 meter readings and railway assets used by siding owners along with the siding is  
 recovery of water made.  
 charges - Review Check whether proper accounts are kept of the land leased for  
 of expenditure in cultivation or other purposes and of fishing etc. rights and of  
 connection with usufruct trees.  
 ceremonial Check whether amounts due on these accounts are realised  
 occasions - Rest and remitted in time and that the transactions are covered by  
 House Statement. proper agreements.  
 Check whether land registers are maintained separately for  
 acquisition and relinquishment.  
 Check in the case of relinquished lands, whether current  
 action has been taken to address the Revenue authorities for  
 affording credit.  
 Check whether machinery exists to permit of correct recovery  
 of water tax which is based on the number of taps for  
 domestic and garden use.  
 Check whether rent on water installations are correctly  
 recovered from staff entitled to free quarters.  
 Check whether the expenditure in connection with ceremonial  
 occasions is properly met with reference to sanctions.  
 Check whether the revenue from rest houses is properly  
 accounted for.
- 8 Cement suspense Examine the arrangements for procurement and custody of  
 Depots. stores with reference to the actual requirement. See whether  
 transfer of cement between depot is kept to the minimum.  
 Examine the policy matters pertaining to all cement depots.
- 9 Register of level See whether it is complete and up-to-date.  
 crossings - list of See whether the maintenance charges are worked out  
 completion correctly and billed for in respect of level crossings for which  
 drawings Register maintenance charges are recoverable from outsiders.  
 of bridges. See whether the completion drawings in respect of works  
 completed as per the estimate drawing/drawings exists and a  
 record kept thereof. There may be one completion drawing  
 when several structures are erected in the same locality and to  
 the same drawing. In such cases, number of assets involved  
 may be checked up with estimates and completion reports.  
 See that all bridges constructed have been noted in the  
 Register and that new constructions are noted as soon as  
 completion drawings are made out.
- 10 Motor Trolley log Make a general review of the log book with special reference

- book, Petrol and other consumable stores, idle machines, Use of road rollers, concrete Mixer and Portable oil engines and other engineering tools and plants.
- to the entries for the month of test check to assess whether all journeys have been recorded systematically and properly attested.
- Check whether the vehicle has been used only on authorised Government work and any private bookings have been duly paid for.
- Check whether the consumption of petrol and other consumable stores have been commensurate with the mileage recorded.
- Check a few entries of drawl of petrol etc. as recorded in the logbook with the issue notes for petrol received from Stores Department to ensure that all petrol drawn is systematically accounted for.
- Check whether the Railway tools and plants (such as road rollers, cement mixers, portable oil engines etc.) are properly used for bonafide Railway purposes and that hire charges are recovered from contractors wherever due.
- 11 Review of the accounts of selected works, Review of Works Registers including works done for other departments, Public Bodies, outsiders, etc. accounts of manufacturing operations if any (RCC Blocks, sleepers etc.) Review of Register of experimental works.
- Make a comprehensive review of the accounts in respect of works selected with reference to original documents.
- Check whether works registers have been opened for all works and the postings are current.
- Check whether sanction number and particulars of work with allocation have been furnished.
- Check whether date of commencement has been noted and in the case of completed work, the date of completion has also been entered.
- Check whether the allotment has been distributed under the various sub-heads of works.
- Check whether all the bills passed have been correctly posted in the Register.
- Check whether reconciliation with reference to the accounts registers is regularly made (where separate registers are maintained).
- Check in the case of deposit works whether the excess over estimate is advised to the party and the sanction obtained in time.
- Check the manufacturing accounts of one month to see whether all indirect charges are included.
- Check the manufacturing schemes to see how the cost of articles compares with the anticipated cost of manufacture, with market price and with the issue prices.
- Check whether the departmental manufacture of articles is limited to items which are either not readily available in the open market or could be more economically and efficiently executed by Railway.
- 12 Inspection Notes of GM/DRM etc.
- Check whether any of the inspection notes of G.M/ DRM etc. disclose any serious irregularity and whether necessary action has been taken thereon.

- 13 Inventory of materials laid in the track. Check whether a complete inventory of materials laid in the track is maintained by the DEN for each section. Check whether in the case of re-railing works, the PWI incharge of rerailing had verified the same with the actual materials in the track before the commencement of the rerailing. Check the reasons for shortage or excess if any. All cases where the inventory has not been taken and recorded as required by the rules should be commented upon, in the Inspection Report.
- 14 Payment of Taxes and service charges to local bodies. General Review
- 15 Correlation of steps taken by the Railway to payment their own water supply with the quantities purchased from Municipalities, Panchayat Board etc. General Review

**P OFFICE OF THE DIVL. RAILWAY MANAGER (COMMERCIAL) - NON-PERSONNEL**

Sl. No.	Particulars of documents	Nature and extent of check
1	Licence fee from vendors book stall keepers, refreshment stall etc. licence fee for jutkas, cycles.	See if this is fixed under the extant rules and the recovery is made correctly.
2	Porters Licence fees.	See if the recovery is made periodically.
3	Concessions.	See if they are in order.
4	Ground Rent Register - Lease of land.	See if the charges fixed are as per Railway Board's orders and recoveries are made currently.
5	Compensation items.	Review action taken for locating of missing goods and reasons for delay in settlement of compensation claim for damages or loss.
6	Refund Orders.	See if they are admissible as per rules.
7	Clearance of station outstanding.	See if write off sanctions accorded are in order and recoveries are made from staff in respect of admitted debits.
8	Cases of losses, defalcation of money etc.	Review in detail.
9	Account of saleable publications viz. Tariffs, Time Tables, concession books, Railway Service Commission forms.	See if the account is maintained upto date.

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|-----|--|--|
| 10  | Remission of wharfage demur-rage etc.  | See if the remission is in order and it is in accordance with rules.   |
| 11  | Action taken against staff for haulage of missing goods, compensation claims misuse of passes, heavy number of missing sheets. | General Review.  |
| 12  | Travelling Ticket Examiner's link  | See if the financial interest of the Railway Administration is protected and suggest fixation of suitable headquarters for the link. |
| 13  | Travelling Ticket Examiners report   | See if any serious irregularity is brought to notice.  |
| 14  | Sale of tickets at train halts.  | Review of the arrangements made.   |
| 15  | Action taken against Travelling Ticket Examiners for reduced collections as compared to Section average.                       | General Review.  |
| 16  | Decasualisation of licensed porters.   | See if the rates fixed are reasonable and correct.   |
| 17  | Under weighment of goods and parcels by Goods Clerks and Parcel Clerks.  | General Review.  |
| 18. | Review of arrangements of supply of LRA etc. to the stations.  | General Review.  |

**Q OFFICE OF THE DIVL. RAILWAY MANAGER (OPERATING) NON - PERSONNEL**

- |         |  |   |
|---------|--|---|
| Sl. No. | Particulars of documents.                    | Nature and extent of check  |
| 1       | Register of watches supplied to guards.      | See if receipt issue and balances are posted correctly and recoveries for watches issued to guards are made correctly.  |
| 2       | Sanctions to payments from station earnings. | See if this is restricted to really unavoidable cases.  |
| 3       | Account of first-aid equipment.              | See if the account is maintained correctly and periodical verification is made by medical authorities.  |
| 4       | Detentions Register.                         | See if adequate action is taken against staff responsible.  |
| 5       | Detonator Register.                          | See if the accounts are maintained up-to-date.  |
| 6       | Tools and Plant and furniture of stations.   | Check from the statements of stock received from the stations, whether the Tools and Plant and furniture allotted to each station are accounted for correctly and maintained efficiently. |
| 7       | Rake links.                                  | See whether periodical reviews of the actual occupation of berths of seats as compared with   |

the number provided on the trains are made with a view to reducing surplus upper class stock whenever it is justified.

- 8 Incidence of Hot axles. General Review.
- 9 Mileage run by locos between successive POH General Review.

R OFFICE OF THE DIVL. RAILWAY MANAGER (MECHANICAL) NON-PERSONNEL

Sl. No.	Particulars of documents	Nature and extent of check.
1	Register of watches supplied to Drivers	As for operating branch.
2	Fuel consumption statements	Examine the reasons for excess consumption.
3	Boring Account	See if the wastage is not high.
4	Use and disposal of cranes and engines.	See whether charges towards cranes and engines used are arranged to be recovered to check the distribution of cranes in sheds.
5	Idle machines	As for electrical branch.
6	Hire of locomotives	See whether necessary debits are raised.
7	Review of Running repairs of the engines and other rolling stock.	Compare the position as obtaining in different sheds and to comment on variations.
8	Working of diesel cars.	Review the financial results.
9	Sales of cinders to employees.	See whether the charges are calculated correctly, according to rates fixed by General Manager (Personnel) (Fuel).
10	Review of Inspection Reports of fuel inspectors, weigh bridge inspectors, and handing over reports of Divl. Mechanical Engineer, Asst. Mechanical Engineer, etc. carriage and wagon inspection reports.	Examine financial irregularities, if any.
11	Register of debits.	Recoveries of tools and plant as in Traffic Branch.
12	Cinder Account	See if cinders at Running sheds are collected with due regard to the minimum quantity fixed for each shed and disposed of suitably.
13	Coal account	See if daily receipts, issues and balances are posted correctly with reference to issue notes and vouchers, the receipts agree with the Issue Notes and Wagon Register which are jointly attested by the Mechanical and Traffic Branches and the issue of coals tally with the issue of books of Drivers; whether definite scales are laid down for issue of coal say for Banking, lighting, running, etc; whether necessary returns are submitted properly and the registers etc; whether maintained in the

form introduced in the fuel circulars, stock is verified departmentally and by stock verifier periodically, and differences in stock verification and other differences are investigated and adjusted; whether crude oil, waste cotton and other consumable stores for use on the engines do not ordinarily exceed the scales laid down. The coal and oil consumed per engine kilometer may be examined to see that the average cost as compared with similar costs in previous years or on other Railways is not excessive. Details regarding missing coal wagons may be examined to review whether shortages in coal stock are not high. See demurrage charges on wagons, if any, are recovered from contractors.

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|----|--|--|
| 14 | Accounts of spare parts such as boilers etc. | See if the prescribed percentage is not exceeded.  |
| 15 | Plant and Machinery Register.                | Review additions and the working of Plant and Machinery.   |
| 16 | Incidence of Hot axles                       | General Review.  |
| 17 | Mileage run by locos between successive POH. | General Review.  |
| 18 | List of completion drawings.                 | See whether the completion drawing in respect of works completed as per the estimate drawing/drawings exist and a record kept thereof. There may be one completion drawing when several structures are erected in the same locality and to the same drawing. In such cases, number of assets involved may be checked up with estimates and completion reports. |

S OFFICE OF THE DRM. (OPERATING & MECHANICAL) - PERSONNEL

- |        |  |   |
|--------|--|---|
| Sl. No | Particulars of documents.                            | Nature and extent of check  |
| 1      | Register of relieving staff.                         | See if the Headquarters are fixed correctly and the Railway staff are posted within their sections as far as possible and there is no evasion of travelling allowance rules by posting a man at place against a continuous vacant post and transferring him for short periods elsewhere. See that technical staff like Asst. Station Masters etc. are not unnecessarily utilised at Head Office for preparation of pay bills etc. |
| 2      | Mileage allowance registers Running Allowance bills. | In respect of staff working as per links, the details as per the mileage register should be checked with reference to the combined train reports relating to 3 days in the month selected for detailed check.<br><br>In respect of the sheds selected for local inspection, the overtime register should be checked with reference to the entries in the  |



Running Order Book, signing on and signing off register, Running staff Duty Register and combined Train Reports.

In respect of staff not working as per the prescribed link, say departmental trains etc. the allowances drawn should be checked with the initial records. As regards allowance in lieu of mileage the nature of duty should be verified with the daily register. A detailed check of Mileage Register with the initial record as above may be made to see if the mileage for short trips, ghat sections road vans, goods, trains, departmental trains, waiting duty etc. is calculated correctly, the correct rate of mileage allowance is adopted and the average mileage allowance in respect of staff on leave is determined correctly.

- |   |   |  |
|---|---|--|
| 3 | Guards and Driver links                       | Scrutinise the links with reference to the provisions in the Hours of employment Regulations with a view to seeing whether any reduction in the number of running staff can be made, suggesting a suitable link. |
| 4 | Utilisation of Rest givers and leave reserves | See that they are properly utilised.   |

**T OFFICE OF THE DRM (SIGNAL & TELECOMMUNICATION) - NON-PERSONNEL**

- | Sl. No. | Particulars of documents                        | Nature and extent of check  |
|---------|---|---|
| 1       | Post and Telegraphs<br>Tele-phone rental bills. | See if no discount is lost and no delay is made for payment.  |
| 2       | Trunk Call Bills.                               | See if they are supported by necessary details and charges towards private calls are borne by the parties.  |
| 3       | Batteries and Cells.                            | See if they are not replaced before the expiry of their normal lives.   |
| 4       | Signal Stores Depot.                            | Arrangement for the proper custody and accountal of signal stores to be examined. The stock verification reports and the handing over reports of the subordinate in-charge of the depot should also be examined to see whether there are any shortages of stores.   |
| 5       | List of completion drawings.                    | To see whether the completion drawing/in respect of works completed to the estimate-drawing/drawings exist and a record kept thereof. There may be one completion drawing when several structures are erected in the same locality and to the same drawing. In such cases, number of assets involved may be checked up with estimates and completion reports. |

**U OFFICE OF THE DIVL. RAILWAY MANAGER (ELECTRICAL) - NON-PERSONNEL**

Sl. No.	Particulars of documents.	Nature and extent of check.
1	Meter Cards and meter reading registers.	See if the calculations are correct and necessary charges, therefore, are raised in the case of stations. It should be seen whether the debits for different abstracts and outsiders are supported by facts.
2	Register of Electrical installations.	See if it is kept up-to-date.
3	Lamp renewal statements.	See whether the statement is correctly prepared and renewals are not unduly very frequent.
4	Lamps issue Register.	See whether the particulars for which lamps are issued are posted correctly.
5	Idle machines	Comment on the locking up of capital.
6	Electricity supply bills.	See whether rebate and discount for prompt payment of electricity energy bills are always realised.
7	Recovery of charges towards electricity.	See if necessary recovery is made from the occupants of electrified buildings and the rate of recovery in the case of outsiders includes charges towards supervision.
8	Register of buildings - Electric installation.	See that necessary details of quarters electrified are advised so that register of buildings is kept up-to-date and rent on Electrical Installation is recovered.
9	Batteries and Cells	See if they are not replaced before the expiry of their normal lives.
10	Cost statement and power house.	The cost statement of generation of electricity is to be seen whether the expenditure on all items is included. The need for retention of power houses as stand by should be examined.
11	Battery sets and log book.	Review the need and utilization.
12	Handing over Report of DRM (Electrical) and other officials.	See whether any serious financial irregularity is noticed.
13	Maximum Demand Register.	Examine propriety of the maximum demand indented in respect of purchases of electricity.
14	List of completion drawings.	See whether the completion drawings in respect of works completed to the estimate drawing/drawings exist and a record kept thereof. There may be one completion drawing when several structures are erected in the same locality and to the same drawing. In such cases, number of assets involved may be checked up with estimates and completion reports.

## V OFFICE OF THE COMMANDANT/RAILWAY PROTECTION FORCE.

1. Verification of Reward Imprest.
2. Log books of motor van etc. and petrol account.
3. Allotment of motor cycles to Inspectors of Security Force - Scheme to be reviewed.
4. Fire Service Organization - Maintenance of.

5. Supply of kit and clothing.
6. Clothing and equipment stock book.
7. Individual uniform register.
8. Quarters allotment register.
9. Arms and ammunition issue and return Register.
10. Register of shortages and damages from seal intact wagons (Onwards and outwards)
11. Review of performance under RPF Act. 1971.

W OFFICE OF THE DIVL. RAILWAY MANAGER (MEDICAL) - NON-PERSONNEL.

Sl. No.	Particulars of documents.	Nature and extent of Audit.
1	Expenditure on diet including extras and medical comforts.	See if this is not extravagant and is within the limits advised by the Chief Medical Officer.
2	Accounts of provision vegetables issued to cooks.	See if they are according to the scale fixed.
3	Account of milk	See if the payment is based on the purchase as per the account and contract.
4	Stock ledger of medicines Indents, and issue notes, stock verification.	Check the balances, receipt and issues and investigate the disposal of time expired medicines. A test check should be made to verify the correctness of the issues in the ledger with the receipts in compounders registers.
5	Register of surgical instruments and linen.	See if this has been posted correctly and the addition is made under sanction.
6	Local purchases.	See if they are authorized.
7	Accounts of First Aid Boxes	See if they are correctly maintained and periodically inspected.
8	Breakage, loss etc. statements	See if recovery is made from staff responsible.
9	Log Book of Ambulance Cars.	See if charges are recovered wherever due, and unnecessary trips are not made.
10	In-patient Register.	See whether treatment is given to eligible persons and necessary charges from outsiders, towards hospital stoppages X-ray, blood test etc. are recovered correctly and competent sanction for admission, is obtained.
11	Working of Dental and Chest clinics.	The financial results have to be reviewed.
12	Accident Relief Medical Equipment vans.	Check the accounts of the equipment and review the results of Joint Inspection by Officers.
13	Washing of linen	See whether the charges paid are reasonable.
14	Diet charges statements.	See whether recovery is made from the staff who are not entitled to free diet as verified from the in-patients register.
15	Inspection notes of Divl. Medical Officer.	See if any financial irregularity is noticed.
16	Tax to the local bodies for services rendered.	Examine the arrangement for the payment of tax to the local bodies for services rendered such as

- scavenging.
- 17 Auction sale of rubbish. See if any agreement has been executed with the contractor and the sale proceeds remitted into the station correctly and currently.
- 18 Treatment of outsiders and recovery of charges thereof. General Review.
- 19 Utilisation of costly equipments General Review.
- 20 Payments to Donors General Review.

X DIVISIONAL PAY AND CASH OFFICE.

- Sl. Particulars of Nature and extent of check.  
No. documents
- 1 Divl. Pay Master's Cash Book and Cashier's Cashbook. Pay Clerks cash book and balance book. See if they are maintained as per rules and postings are made therein currently and attested by the Accounts Officer.
- 2 Liability Register. See if there is any important omission and whether there are any arrears in posting.
- 3 Register of memo receipts sent to Divl. Pay Clerks. See if this is maintained up-to-date.
- 4 Register showing distribution of bills made over to pay clerk and transmitted to paid voucher section. See that the bills are not retained for more than the prescribed period.
- 5 Register of miscellaneous cash. See that this has been brought to account in the Cashier's Cashbook.
- 6 Remittance into and withdrawal from the Bank/Treasury and acknowledgements thereof. See that they are done as per rules and there is no delay in remittances.
- 7 Specimen signatures of bank officials. See if they are up-to-date.
- 8 Line payments, pay specials and their programme. General Review.
- 9 Log book of cash van and a register for recording repairs etc. See if the journeys are for the official purpose and the consumption of petrol is according to the scale. See if the repairs to be done are not frequent and costly and a proper record of tools etc. is maintained.
- 10 Report of surprise checks conduct-ed by Divl. Pay Master, Divl. A/cs. Officer, Chief Cashier. General Review.

11 Register of cheques Check with Pay Master's cash Book.

Y RAILWAY SCHOOL.

Sl. No.	Particulars of documents	Nature and extent of check.
1	School fee recovery statements school fee register and admission register	See whether the fees are recovered correctly and statements are paired with the copies received back from the department.
2	Monthly reconciliation of expenditure with statements.	Investigate the financial results.
3	Register of Library Books.	See if it is posted up-to-date and the cost of books lost is recovered from pupils responsible.
4	Bill of fees recoverable from outsiders.	See if the recovery is as per rules.
5	Grants-in-aid statements	See if they are correct.
6	Issue of stationery, books, kindergarten articles etc. to pupils.	See if the charges recovered are correct as per rules.
7	Expenditure in connection with Railway week Republic Day etc. celebrations.	See if the expenditure has been accounted for properly.

Z (List of items to be seen by Gazetted Officers)

Office	Item No. in the list	Particulars of documents
Items common to all offices (Non-personnel)	Item 22	Review of Inspection Reports of General Manager. Heads of Departments, Divl. Railway Managers, etc.
General Manager/General	Item 1	Log book of office staff cars and petrol account.
	Item 2	Review of sanctions of grants to outsiders.
General Manager/Commercial	Item 21	Review of the earnings of Ticket checking establishment.
Chief Public Relations Officer's Office	Item 6	Imprest for entertainment expenses and furnishing statements of expenditure to the General Manager.
Divl. Mechanical Engineer.	Item 10	Review of Inspection Reports of fuel inspectors, weigh bridge inspectors and Handing over report of Divl. Mechanical Engineer etc. & C&W - Inspection.
ASOR	Item 2	Log books of Motor vans etc. and Petrol account.
Railway Rates Tribunal	--	Review of Awards of RRT.

DPM		Item 10	Reports of surprise checks conducted by DPM, DAO and Chief Cashier.
Divl. Manager/General	Railway	Item 1	Arrangements for the DRUC meeting and incurrence of expenditure on this account.
		Item 4	Log Book of Staff cars.
Divl. Manager/Works.	Railway	Item 7	Expenditure on ceremonial occasions. Rest House statements.
		Last sub-items	Inspection Notes of GM/CE etc.
		Item 12	

#### APPENDIX I (PARA No. 17.7)

Important and Specific items of checks during inspection of construction units  
(These checks are in addition to the general items of check given in office manual)

##### (A) Sr. AuO / AuO

Scrutiny of completed work contracts (above Rs.one crore).

Scrutiny of on going work contracts including Risk & Cost contracts, if any (above Rs. one crore ).

Scrutiny of final bills of works costing above Rs. one crore (contract value ).

Review regarding utilization of the assets constructed by the Construction Organization to find out if any assets have been abandoned after incurring substantial expenditure.

Review of "Frozen works".

Review of deposits due from outside parties.

Review of system regarding procurement of stores, justification for procurement and utilization thereof.

##### (B) AAuO

Scrutiny of completed work contracts (costing above Rs.50 lakhs but less than Rs. One crore).

Scrutiny of on going work contracts including Risk & Cost contracts, if any (upto Rs. One crore).

Scrutiny of final bills of works costing above Rs.56 lakhs but less than Rs.one crore.

Review of Narrative Reports, Monthly progress Reports.

Payment of municipal taxes and water charges.

Review of expenditure incurred during the fag end of the financial year.

Scrutiny of system of delegation of power to see that there has between no abuse of powers.

Handling over/taking over notes of Deputy chief Engineer/SEs.

Review of non-scheduled items and rates.

Recovery of freight charges at public rates.

Review of cases of theft and losses.

Review of decided court cases and arbitration cases.

##### (C) Sr. Auditor/ Auditor

Review of on account bills of contractors and suppliers (upto Rs.50 lakhs).

Review of work orders.

Imprest Account.

Sale account of tender forms.

Telephone connection etc.

Payment of municipal taxes and water charges.

Survey and mathematical instrument accounts, Dead Stocks Account.

Stationery and stamp accounts, Uniform account.

Attendance register for the month selected, Casual leave register and Earned Leave accounts specially of the staff and officers who are due to retire within the next three years.  
Railway Passes.

Check of pay bills/TA bills of NGO's other than Accounts Department.

Advance of pay/TA etc. of NGO's other than Accounts Department.

Service Books of Non-Gazetted staff including fixation/ re-fixation of pay of NGO's other than Accounts Department.

Recovery of rent, electricity charges, lawn charges etc. from officials having Railway accommodation.

Review of log books of vehicles.

Stores ledgers and connected records in respect of cement and steel where these items are issued by Railways either on free of cost or on cost recovery basis.

Pay orders and other vouchers other than Accounts Department.

Vouchers relating to grants in aid.

Units of Audit for Local Inspection

At Headquarters of Construction Organisation

1. Chief administrative officer including Chief Engineers.
2. Chief Signal & Telecommunication engineer.
3. Chief Electrical Engineer.
4. Chief personnel officer/Deputy Chief Personnel Officer.
5. Controller of Stores/deputy Controller of Stores.

Field Units of construction Organisation.

1. Deputy Chief Engineer.
2. Deputy Chief Electrical Engineer.
3. Deputy Chief Signal & Telecommunication Engineer.

Note: One or two subordinate offices under one Deputy Chief Engineer/Deputy chief Electrical Engineer/Deputy Chief Signal & Telecommunication Engineer may be selected by Group Officer for coverage under main inspection depending upon the importance of such subordinate offices.

Appendix II  
(Para 21.9.10)

ASOSAI Guidelines for Dealing with Fraud and Corruption

Contents

	<u>Preface</u>
1.	<u>INTRODUCTION</u>
2.	<u>UNDERSTANDING FRAUD AND CORRUPTION</u>
3.	<u>TREATMENT OF FRAUD AND CORRUPTION</u>
Annexure I	<u>Types of Fraud and Corruption in Contracts</u>
Annexure II	<u>Warning Signs of Possible Fraud and Corruption in Contracts</u>
Annexure III	<u>Audit Evidence</u>



## Preface

In its 31st meeting held in Manila in 24 October 2002, the Governing Board of ASOSAI established an ad hoc Working Group and a Core Member Task Force to develop regional guidelines for dealing with fraud and corruption. While the Working Group comprised nominees of the SAIs of Bangladesh, India, Japan, Korea, Malaysia, Nepal, Pakistan, Philippines, Thailand and Turkey, the SAIs of India, Japan, Pakistan and Philippines were represented on the Core Member Task Force.

The work for developing the Guidelines was initiated by the SAI of Japan by conducting a questionnaire-based survey on existing approaches and practices followed by member SAIs. The survey was conducted from December 2002 to January 2003.

The SAI of Japan also developed a Base Document for the Guidelines taking into consideration the responses to the survey questionnaire and related professional material. A Working Draft of the Guidelines was developed by the Working Group during a two week Workshop [The workshop was funded by JICA] held in Tokyo from 12th to 23rd May 2003. The Working Draft was refined into the First Exposure Draft of the ASOSAI Audit Guidelines on Fraud and Corruption by the Core Member Task Force. The First Exposure Draft was sent to all the Governing Board members for their comments in 23 July 2003.

Taking into consideration the comments of the Governing Board members on the First Exposure Draft, the Core Member Task Force prepared a Second Exposure Draft, which was sent to all the ASOSAI members as advance information for the 9th ASOSAI Assembly in 9 October 2003. After that, further efforts had been made by the Core Member Task Force to refine the Draft into the Final Draft of the ASOSAI Guidelines for Dealing with Fraud and Corruption.

The Final Draft was discussed and supported by the Training Committee on 19 October 2003, and approved at the 32nd Governing Board meeting on 20 October 2003, and the 9th Assembly on 22 October 2003.

In the ASOSAI Guidelines for Dealing with Fraud and Corruption, 30 specific audit guidelines on fraud and corruption are included. Each guideline refers to an auditing principle / standard and guidance prescribed by the INTOSAI auditing standards. The guidelines also include a chapter dealing with understanding fraud and corruption by auditors of the member SAIs.

The ASOSAI Guidelines are expected to be used as the model for each SAI to develop its own Guidelines. Accordingly, each SAI may modify the Guidelines applicable to each country. The Guidelines will be greatly beneficial to auditors of member SAIs when they deal with fraud and corruption cases.

## 1. INTRODUCTION

- 1.1 Fraud and corruption have increasingly become important concerns for countries around the world. The role of audit in addressing this concern has come under critical scrutiny. There is an increasing expectation that SAIs should, through concerted action, play an effective role in promoting a culture that values honesty, responsibility, and accountability in the exercise of authority and utilization of national

resources.

- 1.2 This expectation is embodied in the INTOSAI Auditing Standards in the following words:  
...Auditors need to be alert for situations, control weaknesses, inadequacies in record keeping, errors and unusual transactions or results, which could be indicative of fraud, improper or unlawful expenditure, unauthorised operations, waste, inefficiency or lack of probity. (Paragraph 2.2.41, General Standards in Government Auditing)
- 1.3 The XVI INCOSAI held in Uruguay in 1998 discussed “the Role of SAIs in Preventing and Detecting Fraud and Corruption” as one of its themes signifying a growing awareness of the INTOSAI to a problem that affects in varying degrees the individual member countries and collectively poses a challenge for the auditing community.
- 1.4 The Uruguay INCOSAI agreed that corruption in government results in waste of resources and reduces economic growth and the quality of life, and it undermines the credibility of state institutions and reduces their effectiveness. A realization was flagged that a strong correlation apparently exists between corruption and the weakening of state institutions. An understanding emerged that corruption often links up to the socioeconomic environment of the population, like social injustice, poverty, and violence, and that a country's traditions, principles, and values influence the nature of corruption. While registering the gravity of the challenge posed by corruption, the INTOSAI community also observed that it is difficult to detect many acts of corruption and to estimate their financial impact as the loss does not necessarily get reported in the financial statements.
- 1.5 The Uruguay INCOSAI adopted the following Accords:  
SAIs agree that fraud and corruption are significant problems affecting all countries in varying degrees and that the SAIs can and should endeavor to create an environment that is unfavorable to fraud and corruption. As provided in the Lima Declaration adopted by INTOSAI in 1977, SAIs agreed that they should be independent and have adequate mandates that enable them to effectively contribute to the fight against fraud and corruption. It was also agreed that, where possible, SAIs should:  
Seek an adequate level of financial and operative independence and breadth of audit coverage;  
take a more active role in evaluating the efficiency and effectiveness of financial and internal control systems and aggressively follow up on SAIs recommendations;  
focus audit strategy more on areas and operations prone to fraud and corruption by developing effective high risk indicators for fraud;  
establish an effective means for the public dissemination of audit reports and relevant information including, establishing good relationship with the media;  
produce relevant audit reports that are understandable and user-friendly;  
consider a closer cooperation and appropriate exchange of information with other national and international bodies fighting corruption;  
intensify the exchange of experiences on fraud and corruption with other SAIs;  
encourage the establishment of a personnel management procedures for the public service that selects, retains, and motivates honest, competent

employees;

encourage the establishment of guidance for financial disclosure by public servants and monitor compliance as part of the ongoing audit process;

use the INTOSAI Code of Ethics to promote higher ethical standards and a code of ethics for the public service;

consider the establishment of a well publicized means to receive and process information from the public on perceived irregularities; and

continue work regarding fraud and corruption through INTOSAI's existing committees and working groups; for example the Auditing Standards Committee will consider these issues as part of developing implementation guidance as part of a broader standard framework.

1.6 In furtherance of the INTOSAI framework, ASOSAI initiated in December 2001 a project [The project is being implemented with Asian Development Bank funding and support.] for Strengthening the Regional Training Capability which focuses on the improving audit skills for fraud detection. One of the major focus areas of the project is the development of regional guidelines on fraud and corruption, an initiative that received formal sponsorship of the ASOSAI in the meeting of the Governing Board held in Manila in October 2002

1.7 It is hoped that these Guidelines will become a useful reference and guidance material for the SAIs of the region and would be instrumental in sensitizing auditors to concerns arising from fraud and corruption and would assist them in taking timely and appropriate actions.

1.8 Definitions and Corelation

Chapter II of the Guidelines, which deals with conceptual issues related to fraud and corruption, lists some of the many general and specific definitions of fraud and corruption. The multiplicity of definitions underscores the various ways in which fraud and corruption are perceived and conceptualized. In their broadest connotation the terms fraud and corruption can be defined as follows:

FRAUD involves deliberate misrepresentation of facts and / or significant information to obtain undue or illegal financial advantage.

CORRUPTION involves effort to influence and / or the abuse of public authority through the giving or the acceptance of inducement or illegal reward for undue personal or private advantage.

1.9 Fraud is most likely to involve deliberate misrepresentation of information that is recorded and summarized by an entity; its impact can be compared to an accounting error and would involve issues such as measurement, occurrence, and disclosure. Fraud poses a serious problem from an audit perspective because it is normally accompanied by efforts to cover / falsify / misdirect entity records and reporting. The efforts to misrepresent may involve the management itself—an aspect that has received considerable attention in the wake of major corporate failures. When management gets involved in the perpetration of fraud, the activity assumes the proportion or the additional bearing of corruption. Fraud and corruption are therefore interlinked, although certain types of fraud do not necessarily qualify for being viewed as corruption and can be perpetrated by an individual or a small group. The problem which corruption poses for audit is that it links up as a concept with the acts of bribery. It is possible to conceive of situations where bribery may have a direct impact on financial statements, for

example where a corporation pays an influential decision-maker a bribe to secure a contract. In such situations the issue of proper disclosure is involved because the corrupt practice of the illegal payment / expense is normally covered up through an accounting or reporting fraud. However, in many instances corruption does not necessarily result into transactions that are recorded and reported by the entity. This especially applies to situations where a position of authority or discretion available under rules is enmeshed by an official in the public sector. Such corruption, which because of its widespread prevalence, may be most responsible for undermining the social fabric and the credibility and functioning of state institutions, does not normally get reflected in information that comes in the purview of audit.

1.10 The Guidelines therefore propose that while fraud and corruption should be perceived independently for their numerous implications, the auditors should be well aware of the complex correlation between the two. In the Guidelines the two will be treated in combination, but attention would be drawn to possibilities of separate treatment, wherever the situation so warrants.

1.11 Responsibilities for Prevention of Fraud and Corruption

It is an essential function of Management to establish controls and safeguard assets of the entity. It is also a primary responsibility of management to meticulously record all material transactions and fairly report the results of the operations of the entity. The primary responsibility for establishing an environment that prevents valuable entity assets from being lost through fraud and corruption therefore clearly rests with the management. Further, since good management practices require the establishment of adequate controls and checks, the responsibility to detect fraud and corruption is a natural corollary of the responsibility to establish an environment that prevents and deters fraud and corruption. This responsibility includes the taking of remedial steps, including such disciplinary / punitive / legal action as the circumstances may warrant and also includes the obligation to bring about changes to policies and procedures for ensuring that similar cases will not happen again.

1.12 This reaffirmation and unambiguous recognition of the primary role and responsibility of the management, however, does not relieve the auditor of his responsibility to provide a credible assurance within his SAI's audit mandate about the actions taken by the management or those that may materially affect the picture that emerges from the audited financial reports. This responsibility covers situations where the financial reports or other auditable record may be materially misrepresented and the misrepresentation may or may not have taken place with the knowledge or involvement of the management. This responsibility of the Auditor is the extension of his responsibility to provide assurance about the audited entity and its financial statements and his obligation to make the management (either in each entity individually or through reports to the legislature) aware of any weaknesses in the design or operation of the accounting and internal control systems which are reviewed by him in the discharge of his professional duties. Although auditors are not primarily responsible for preventing fraud and corruption, audit can be a significant influence in reducing fraud and corruption. By conducting an audit that is sensitive

to the risk of fraud and corruption, the auditors can make a proactive contribution to prevent fraud and corruption.

#### 1.13 Audit Mandate

While the legislative framework and mandate determine the policies and audit guidance adopted by each SAI, these Guidelines recommend that in its interpretation of its primary audit mandate, an SAI should be cognizant that public perceptions about fraud and corruption pose a serious risk to the credibility of its findings in individual audits and its national responsibility and role. Depending on their peculiar circumstances, the SAIs should actively consider adopting a formal policy or strategy for deterring fraud and corruption in the organizations covered in their audit jurisdiction. These Guidelines are based on the awareness that SAIs should have an adequate level of mandate to deal with cases of fraud and corruption in planning and conducting an audit and that this mandate is usually inherent in the audit mandate. However, if an SAI feels constrained in its investigation of suspected fraud or corruption cases in the performance of its normal audit work, it should seek reinforcement of its audit mandate. This reinforcement could be in the shape of a regularity provision specifying that the SAI would be notified in all cases where fraud or corruption are suspected or reported.

## 2 UNSRESTANDING THE FRAUD & CORRUPTION

2.1 Fraud and corruption includes both those committed by the government employees or management of an auditee (internal fraud and corruption), and those perpetrated against the auditee by outside individuals or groups (external fraud and corruption). Internal fraud and corruption may result in benefits being obtained either from the organization (e.g., theft of cash/assets, falsification of payroll data), or from a third party (e.g., the theft of patients' property). The latter may not result in immediate loss to the auditee, but it may result in a liability for restitution where positions of trust have been abused. Examples of external fraud and corruption include making fraudulent claims for government grants and benefits or suppliers issuing false or duplicate invoices.

2.2 Whereas the loss to the auditee is usually fairly apparent in cases of "fraud" as defined above, in the case of "corruption" the corrupt government employee may benefit from the act, but there may not be any loss to the auditee or effect on financial information. Both fraud and corruption are by definition without proper authority and involve breach of trust and therefore irregular.

2.3 There are many general and technical definitions of fraud. In most countries, fraud and corruption are legal concepts, although they are referred to in various ways. One of the factors distinguishing fraud from error is whether the underlying cause is intentional or unintentional, although intent is often difficult to determine, particularly in matters involving the use of judgment.

#### 2.4 Definitions of Fraud

XVI INCOSAI URUGUAY 1998 viewed fraud as a legal concept, which involves acts of deceit, trickery, concealment, or breach of confidence that are used to gain some unfair or dishonest advantage; an unlawful interaction between two entities, where one party intentionally deceives the other through the means of false representation in order to gain illicit and unjust advantage.

- 2.5 According to SPASAI Fraud Guide, “fraud is a generic term which embraces all the means that human ingenuity can devise, which are resorted to by one individual, to get an advantage over another by false representations. There is no finite rule to define fraud as it includes surprise, trick, cunning and unfair ways by which another is cheated.
- 2.6 Fraud, as it is commonly understood today, means dishonesty in the form of an intentional deception or a wilful misrepresentation of a material fact. Lying, the wilful telling of an untruth, and cheating, the gaining of an unfair or unjust advantage over another, could also be used to further define the word fraud because both that and dishonesty denote intention or willingness to deceive.”
- 2.7 The Canadian Audit Guide 21 on Fraud Awareness refers to fraud as an action where there is a loss of a valuable resource resulting from a false representation made knowingly, without belief in its truth. Such actions could result in charges being laid under various applicable Canadian laws.
- 2.8 According to the National Audit Office of UK, fraud involves the use of deception to obtain an unjust or illegal financial advantage as well as intentional misstatements in, or omissions of amounts or disclosures from, an entity's accounting records or financial statements. It also includes theft, whether or not accompanied by misstatements of accounting records or financial statements.
- 2.9 The Fraud Examiners Manual views fraud as any intentional or deliberate act to deprive another of property or money by guile, deception or other unfair means. Similarly International Standard of Auditing (240) also treats fraud as an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.
- 2.10 Essentially, fraud refers to intentional misrepresentation of financial information by one or more individual among the management, employees or third parties. It involves the use of deception to obtain an illegal financial advantage.
- 2.12 Fraud may involve  
manipulation, falsification or alteration of records or documents.  
misappropriation/ misapplication of assets.  
suppression or omission of the effects of transactions from records or documents.  
recording of transaction without substances.  
misapplication of accounting policies.
- 2.12 Elements of Fraud  
The basic elements of fraud can be summarized as follows:  
There must be at least two parties to the fraud, namely the perpetrator and the party who was or could have been harmed by the fraud, otherwise known as the victim;  
A material omission or false representation must be made knowingly by the perpetrator;  
There must be intent by the perpetrator that the false representation be acted upon by the victim;  
The victim must have the legal right to rely on the representation;  
There must be either actual injury or a risk of injury to the victim as a result of the reliance;

- There generally is an attempt to camouflage; and  
 Fraud involves betrayal of trust.
- 2.13 Definitions of Corruption  
 Corruption is a complex issue. While its roots are grounded in a country's particular social and cultural history, political and economic development, bureaucratic traditions and policies, one can generalize to state that corruption tends to flourish when institutions are weak and economic policies distort the marketplace.
- 2.14 The following definition of corruption is provided by the Asian Development Bank in the Anti-corruption Policy: "Corruption involves behaviour on the part of officials in the public and private sectors, in which they improperly and unlawfully enrich themselves and/or those close to them, or induce others to do so, by misusing the position in which they are placed."
- 2.15 The Anti-Corruption Act of the Republic of Korea defines the term "act of corruption" as the act of any public official's abusing his position or authority or violating laws and regulations in connection with his duties to seek gains for himself or any third party.
- 2.16 The Chartered Institute of Public Finance and Accountancy of UK defines corruption as the offering, giving, soliciting or accepting of an inducement or reward, which may influence the action of any person. That is, an individual receives a bribe as a reward or incentive for action or inaction contrary to the proper conduct of his or her duties, for the direct benefit of a third party.
- 2.17 The World Bank defines corruption as the abuse of public power for personal gain or for the benefit of a group to which one owes allegiance.
- 2.18 Klitgaard [World Bank Publication, Pillars of Integrity, The Importance of SAIs in Curbing Corruption] (1996) developed a model to explain the dynamics of corruption.  

$$\text{Corruption} = \text{Monopoly power} + \text{Discretion} - \text{Accountability}$$
- 2.19 Elements of Corruption  
 An act of corruption would comprise one or more of the following elements:  
 There must be at least two parties to an act of corruption, namely the person who offers the reward or inducement and the party accepting it;  
 There must be misuse of office or position of authority for private gain;  
 There is either an offer and/or acceptance of inducements;  
 An attempt to solicit an offer of inducement or reward as benefit for performance of an official act;  
 Any act through which public or entity property is dishonestly misappropriated;  
 There may be an attempt to camouflage; and  
 Corruption involves breach of trust.
- 2.20 Factors that Influence Fraud and Corruption  
 It is useful for auditors to understand the motivational and organizational/environmental factors of fraud and corruption. The presence of these factors does not necessarily mean that fraud and corruption have occurred. Rather, awareness of their presence should increase the auditor's sensitivity to that possibility. The key factors generally associated with fraud and corruption are as follows:
- 2.21 Motivational Factors

Motivation and opportunity are the elements that generally underlie the commission of fraud and corruption. These could take the form of:

Economic motivation - financial need or gain is the most common motivation for fraud and corruption. Often, persons convicted of fraud and corruption complain that they had unbearable financial problems for which there was no legitimate recourse.

Greed – persons with power and authority often commit fraud and corruption because they are motivated by greed.

Prestige or recognition – persons may feel they deserve more prestige or more recognition. These persons are often motivated by jealousy, revenge, anger, or pride. They often believe that they are superior to others, that they are shrewd enough to confound and confuse others and can commit fraud and corruption without being discovered or detected.

Moral Superiority – persons may also be motivated by a cause or values that they feel are morally superior to those of the victim, or the government in this case.

#### 2.22 Organizational/Environmental Factors

The organizational atmosphere and its perception play a major causative role in perpetration of fraud and corruption.

2.23 Where management is perceived as insensitive, insecure, impulsive or too strict, ill treats employees and judges performance either on short term results or without considering operational constraints, the disgruntlement in the employee is likely to result in instances of fraud and corruption.

2.24 Systems and procedures adopted in organizations and organizational policies are particularly important. An organization in which the corporate policies are unclear, there is inadequate internal control, excessive regulations, red-tapism, inadequate accountability or history of programme abuse is likely to have more instances of fraud and corruption.

2.25 An understanding of the organizational atmosphere will enable an auditor to assess whether there is a higher risk of fraud and corruption in the entity and planning of the audit could be suitably modified. Poor management structure and policies are indicated by a high turn over of employees, absenteeism, poor documentation, low awareness of regulatory requirements and lack of transparency in reward systems

2.26 It is important for the auditor to also understand that very often the perpetrator of fraud and corruption rationalizes his actions with some kind of justification. For instance an employee accused of fraud and corruption is likely to rationalize his action by saying or believing that his low pay justifies the action or since everybody is doing that he is also well within his right to do it; while a contractor could justify his acts of fraud and corruption as a cost of doing business or problems of securing contract from a government entity.

#### 2.27 Types of Fraud and Corruption

Some of the most typical fraud and corruption are as follows:

Bribery is the giving, receiving, offering or soliciting of any “thing of value” in order to influence a person in the performance of, or failure to perform, his / her duties.

False Statements and False Claims occur whenever a person knowingly and willfully falsifies a material fact or makes a false or fictitious representation or files a false or fictitious claim that results in economic



or financial loss to the person to whom the false representation has been made.

Embezzlement is the fraudulent conversion of personal property by a person in possession of that property where the possession was obtained pursuant to a trust relationship. Examples of means to conceal embezzlement are the use of kiting or lapping scheme.

Kiting occurs when a person withdraws cash from a bank on checks deposited by a person for which the cash has not yet been collected by the bank. To conceal the fraud, the person continuously writes checks against non-existent account balances (“kites” checks from bank to bank).

Lapping occurs when a person steals cash from payment of accounts receivable, and continuously uses cash from other payments of accounts receivables to conceal the initial theft (“laps” two consecutive accounts).

Conflict of Interest occurs when a person has an undisclosed economic or personal interest in a transaction that adversely affects that person’s employer.

Phantom Contractor is a non-existent company whose invoice is submitted for payment by a person involved in the purchase process.

Purchases for Personal Use. A person may purchase items intended for personal use or may make excess purchases of items needed, some of which are then diverted to personal use.

Split Purchases. Contracts are split into two or more segments to circumvent the procurement authority limitations, and thus to avoid competitive bidding. This may involve bribery from the contractor to a person of the other party.

Collusive Bidding, Price Fixing or Bid Rigging. Groups of prospective contractors for a contract form an agreement or arrangement, to eliminate or limit competition. This agreement may also involve bribery.

Progress Payment Fraud. The contractor requests progress payments based on falsified information submitted to the other party.

Over or under invoicing. Occurs when there is deliberate misstatement of the invoice value as compared with goods or services received or supplied.

Extortion is the use of authority to secure unlawful pecuniary gain or advantage.

Nepotism and Favoritism unlawful use of public office to favor relatives and friends.

Loss of Revenue on account of tax or duty evasion can include different situations where revenue due to the government is not received or paid.

Unfair Recruitment favoritism exercised in the process of recruitment for unlawful gain.

Computer Fraud is any fraudulent behavior connected with computerization by which a person intends to gain a dishonest advantage. For instance, salami-slicing is a computer fraud where fractions of interest calculations are transferred to a personal account.

## 2.28 Identification of High Risk Areas

An understanding of the audited entity should enable the auditor to identify potential high-risk areas and suitably modify audit procedures and techniques. Some of the commonly perceived high risk areas are:

contracts of service/procurement;  
inventory management;  
sanctions/clearances;  
program management;  
revenue receipt;  
cash management;  
general expenditure; and  
other areas with public interface.

SAIs would have to, based on experience and perceptions, identify such risk areas while planning audits.

#### 2.29 Contract Fraud and Corruption

Procurement of goods and services is a major activity in the government sector and is traditionally prone to fraud and corruption. Understanding fraud and corruption in contracts may therefore be beneficial to the auditor. An illustrative list of the forms fraud and corruption can take in the area of contracts is given at Appendix 1 to enhance the Auditor's understanding.

2.30 The audit of Contracts in most SAIs, therefore becomes an area of focus for the Auditor who has to be particularly sensitive to the possibility of Fraud in this area. Appendix 2 lists out the warning signs that an auditor needs look out for. These would alert him to the necessity of further scrutiny or intensive examination. The size of the sample or the techniques adopted could also be suitably adjusted.

#### 2.31 Computer Fraud

With the increased use of information technology in the function of entities and increased introduction of IT systems the auditors needs to understand that the perpetration of fraud and corruption and consequently detection of such instances become more complicated.

2.32 Computer fraud could involve the manipulation of a computer or computer data by whatever method in order to dishonestly obtain money, property or some other advantage of value or to cause loss

2.33 The Auditor has to be particularly aware of the audit trail, of the checks and balances of IT systems, of the levels of control and needs to also have a fair idea of how processing controls can be circumvented by the perpetrator of fraud and how data can be accessed and manipulated. It is particularly important for the auditor of the IT system to assess in his audit the level of security controls built in and if these are in tune with the sensitivity of data.

2.34 Audit evidencing in an IT environment is often more complex than traditional manual audit. In an IT environment not only it is necessary to understand the techniques of assessing system and data soundness but also necessary to establish means of collecting evidence. The standards of audit evidence collection have to be set by the SAIs in consonance with the legal framework and regulations in which the audit is carried out.

2.35 Since this is an emerging field of audit and is also undergoing rapid changes the SAIs may consider the pooling of information on the IT audits conducted and techniques adopted.

### 3. TREATMENT OF FRAUD & CORRUPTION

#### 3.1 BASIC PRINCIPLES

Auditing Principle

“Auditing Principle” here refers to Basic Principles as given in the INTOSAI

Standards.

The SAI should consider compliance with the INTOSAI auditing standards in all matters that are deemed material. (paragraph 1.0.6 (a))

INTOSAI Guidance

“INTOSAI Guidance” refers to the explanation of the Basic Principles, General Standards, Field Standards, and Reporting Standards given in the INTOSAI Standards.

In general terms, a matter may be judged material if knowledge of it would be likely to influence the user of the financial statements or the performance audit report. (paragraph 1.0.9)

Materiality is often considered in terms of value but the inherent nature or characteristics of an item or group of items may also render a matter material-for example, where the law or regulation requires it to be disclosed separately regardless of the amount involved. (paragraph 1.0.10)

In addition to materiality by value and by nature, a matter may be material because of the context in which it occurs. For example, considering an item in relation to:

- (a) the overall view given to the financial information;
- (b) the total of which it forms a part;
- (c) associated terms;
- (d) the corresponding amount in previous years. (paragraph 1.0.11)

ASOSAI Guideline 1

“ASOSAI Guideline” is the specific audit guideline on fraud and corruption as recommended by ASOSAI.

While determining materiality levels for different audit areas the SAI may take into account adjustments to the materiality level that may make audit more responsive to risk arising from fraud and corruption.

### 3.2 Auditing Principle

The SAI should apply its own judgment to the diverse situations that arise in the course of government auditing. (paragraph 1.0.6 (b))

INTOSAI Guidance

Audit evidence plays an important part in the auditor's decision concerning the selection of issues and areas for audit and the nature, timing and extent of audit tests and procedures. (paragraph 1.0.16)

ASOSAI Guideline 2

SAIs should apply its own judgement to determine the extent of audit investigation to be undertaken in cases of suspected fraud and corruption.

### 3.3 Auditing Principle

With increased public consciousness, the demand for public accountability of persons or entities managing public resources has become increasingly evident so that there is a need for the accountability process to be in place and operating effectively. (paragraph 1.0.6 (c))

ASOSAI Guideline 3

With an increasing concern on fraud and corruption SAIs are expected to demonstrate that the audit addresses these concerns. The SAIs should actively consider adopting a formal policy or strategy for deterring fraud and corruption.

### 3.4 Auditing Principle

Development of adequate information, control, evaluation and reporting systems within the government will facilitate the accountability process. Management is responsible for correctness and sufficiency of the form and content of the financial reports and other information. (paragraph 1.0.6 (d))

Appropriate authorities should ensure the promulgation of acceptable accounting standards for financial reporting and disclosure relevant to the needs of the government, and audited entities should develop specific and measurable objectives and performance targets. (paragraph 1.0.6 (e))

Consistent application of acceptable accounting standards should result in the fair presentation of the financial position and the results of operations. (paragraph 1.0.6 (f))

INTOSAI Guidance

The correctness and sufficiency of the financial reports and statements are the entity's expression of the financial position and the results of operations. It is also the entity's obligation to design a practical system which will provide relevant and reliable information. (paragraph 1.0.24)

The SAIs should work with the accounting standards setting organisations to help ensure that proper accounting standards are issued for the government. (paragraph 1.0.26)

ASOSAI Guideline 4

SAI should review whether applicable accounting standards ensure adequate recognition of assets and liabilities and disclosure of true financial position inclusive of any losses resulting from fraud and corruption. In case it observes any deficiency in this regard it should work with the audited entity and the accounting standard setting body to remove the deficiency.

ASOSAI Guideline 5

The responsibility for adequate and timely disclosure of any cases of fraud and corruption rest with the management and the responsibility of ensuring reliability and results of operation must include concerns arising from risk of fraud and corruption. Through its audit the SAI must evaluate and report on the adequacy and competence with which the management has discharged this responsibility.

### 3.5 Auditing Principle

The existence of an adequate system of internal control minimises the risk of errors and irregularities (paragraph 1.0.6 (g)).

INTOSAI Guidance

It is the responsibility of the audited entity to develop adequate internal control systems to protect its resources. It is not the auditor's responsibility. It is also the obligation of the audited entity to ensure that controls are in place and functioning to help ensure that applicable statutes and regulations are complied with, and that probity and propriety are observed in decision making. However, this does not relieve the auditor from submitting proposals and recommendations to the audited entity where controls are found to be inadequate or missing. (paragraph 1.0.31)

ASOSAI Guideline 6

SAIs should be alert to shortcomings in systems and controls that are likely to provide an environment conducive for fraud and corruption and should proactively report to the management to improve the control environment and minimize the risk of fraud and corruption.

### 3.6 Auditing Principle

Legislative enactments would facilitate the co-operation of audited entities in maintaining and providing access to all relevant data necessary for a comprehensive assessment of the activities under audit (paragraph 1.0.6 (h)).

INTOSAI Guidance

The SAI must have access to the sources of information and data as well as access to officials and employees of the audited entity in order to carry out

properly its audit responsibilities. Enactment of legislative requirements for access by the auditor to such information and personnel will help minimise future problems in this area. (paragraph 1.0.33)

ASOSAI Guideline 7

Legislative enactment can ensure that all suspected and detected cases of fraud and corruption are reported to audit by the management. If considered necessary SAI can reinforce their mandate to investigate cases of fraud and corruption by seeking legislative enactments on these lines.

### 3.7 Auditing Principle

All audit activities should be within the SAI's audit mandate. (paragraph 1.0.6 (i))

INTOSAI Guidance

The full scope of government auditing includes regularity and performance audit. (paragraph 1.0.38)

Regularity audit embraces:

attestation of financial accountability of accountable entities, involving examination and evaluation of financial records and expression of opinions on financial statements;

attestation of financial accountability of the government administration as a whole;

audit of financial systems and transactions including an evaluation of compliance with applicable statutes and regulations;

audit of internal control and internal audit functions;

audit of the probity and propriety of administrative decisions taken within the audited entity; and

reporting of any other matters arising from or relating to the audit that the SAI considers should be disclosed. (paragraph 1.0.39)

Performance audit is concerned with the audit of economy, efficiency and effectiveness and embraces:

audit of the economy of administrative activities in accordance with sound administrative principles and practices, and management policies;

audit of the efficiency of utilisation of human, financial and other resources, including examination of information systems, performance measures and monitoring arrangements, and procedures followed by audited entities for remedying identified deficiencies; and

audit of the effectiveness of performance in relation to the achievement of the objectives of the audited entity, and audit of the actual impact of activities compared with the intended impact. (paragraph 1.0.40)

ASOSAI Guideline 8

Normally sensitization of different types of audits undertaken by SAIs to fraud and corruption can be brought about under their existing mandates. However, where SAIs feel constrained, they can seek additional mandate.

### 3.8 Auditing Principle

SAIs should work towards improving techniques for auditing the validity of performance measures. (paragraph 1.0.6 (j))

INTOSAI Guidance

The expanding audit role of the auditors will require them to improve and develop new techniques and methodologies to assess whether reasonable and valid performance measures are used by the audited entity. The auditors should avail themselves of techniques and methodologies of other disciplines. (Paragraph 1.0.46)

ASOSAI Guideline 9

The auditor should make the management aware that the absence or lack of application of reliable and valid performance measures and indicators could increase the possibility of occurrence of fraud and corruption.

### 3.9 GENERAL STANDARDS

#### General Standard

“General Standard” here refers to General Standards as given in the INTOSAI Standards.

The SAI should adopt policies and procedures to recruit personnel with suitable qualifications. (paragraph 2.1.2 (a))

The SAI should adopt policies and procedures to support the skills and experience available within the SAI and identify the skills which are absent; provide a good distribution of skills to auditing tasks and assign a sufficient number of persons for the audit; and have proper planning and supervision to achieve its goals at the required level of due care and concern. (paragraph 2.1.2 (d))

#### INTOSAI Guidance

It should be open to the SAI to acquire specialised skills from external sources if the successful carrying out of an audit so requires in order that the audit findings, conclusions and recommendations are perceptive and soundly based and reflect an adequate understanding of the subject area of the audit. It is for the SAI to judge, in its particular circumstances, to what extent its requirements are best met by in-house expertise as against employment of outside experts. (paragraph 2.1.18)

#### ASOSAI Guideline 10

The SAI should have an adequate inventory of skills to deal with cases of fraud and corruption. In the detailed examination of cases of fraud and corruption where an SAI feels the need to involve outside professional expertise, such professional opinion should only serve to augment the audit conclusion, the ultimate responsibility for the conclusion remaining with the SAI.

### 3.10 General Standard

10 The SAI should adopt policies and procedures to develop and train SAI employees to enable them to perform their tasks effectively, and to define the basis for the advancement of auditors and other staff. (paragraph 2.1.2 (b))

#### INTOSAI Guidance

The SAI should take adequate steps to provide for continuing professional development of its personnel, including, as appropriate, provision of in-house training and encouragement of attendance at external courses. (paragraph 2.1.6)

The SAI should establish and regularly review criteria, including educational requirements, for the advancement of auditors and other staff of the SAI. (paragraph 2.1.8)

#### ASOSAI Guideline 11

In considering the portfolio of skills that the SAI should have to meet the requirements of its audit mandate, the SAI should pay particular attention to training its auditors to deal with concerns about fraud and corruption, including experience gained from past fraud and corruption cases. Training could include developing forensic auditing skills provided that forensic investigation is covered by the mandate of the SAI.

SAIs could consider sharing of information and knowledge of techniques, procedures and skill development in order to develop expertise in this area.

### 3.11 General Standard

The SAI should adopt policies and procedures to prepare manuals and other written guidance and instructions concerning the conduct of audits. (paragraph 2.1.2 (c))

INTOSAI Guidance

Communication to staff of the SAI by means of circulars containing guidance, and the maintenance of an up-to-date audit manual setting out the SAI's policies, standards and practices, is important in maintaining the quality of audits. (paragraph 2.1.14)

ASOSAI Guideline 12

SAI should consider reviewing the manuals, policies and prospectus from the perspective of conducting audits that are sensitive to fraud and corruption and dealing with suspected cases of the nature.

### 3.12 General Standard

The auditor and the SAI must be independent. (paragraph 2.2.1 (a))

SAIs should avoid conflict of interest between the auditor and the entity under audit. (paragraph 2.2.1 (b))

INTOSAI Guidance

While the SAI must observe the laws enacted by the legislature, adequate independence requires that it not otherwise be subject to direction by the legislature in the programming, planning and conduct of audits. The SAI needs freedom to set priorities and program its work in accordance with its mandate and adopt methodologies appropriate to the audits to be undertaken. (paragraph 2.2.9)

The legal mandate should provide for full and free access by the SAI to all premises and records relevant to audited entities and their operations and should provide adequate powers for the SAI to obtain relevant information from persons or entities possessing it. (paragraph 2.2.19)

ASOSAI Guideline 13

The SAIs need to demonstrate that they are independent not only in a legal sense but in a practical sense as well so that they can perform an effective role against fraud and corruption. Demonstration of independence in practical audit work includes avoidance of any possible conflict of interest situation.

The SAI should be in a position to carry out an independent risk assessment and prioritize its audit planning accordingly.

Where necessary the SAI should work for legislation that would allow it access to all records and information required in the examination of cases of fraud and corruption.

ASOSAI Guideline 14

Without compromising on their independence to plan and conduct audit the SAIs should consider establishment of means to receive and process information from the public on suspected cases of fraud and corruption.

### 3.13 General Standard

The auditor and the SAI must exercise due care and concern in complying with the INTOSAI auditing standards. This embraces due care in specifying, gathering and evaluating evidence, and in reporting findings, conclusions and recommendations. (paragraph 2.2.1(d))

INTOSAI Guidance

The SAI must be, and be seen to be, objective in its audit of entities and public enterprises. It should be fair in its evaluations and in its reporting of the outcome of audits. (paragraph 2.2.40)

ASOSAI Guideline 15

Since complete evidence about cases of fraud and corruption may not be available to the SAI, due care should be exercised in arriving at an audit conclusion. In many circumstances additional tests may have to be performed and additional evidence acquired than would normally be considered appropriate and necessary for arriving at an audit opinion.

ASOSAI Guideline 16

In investigating and reporting cases of fraud and corruption the SAIs should be aware of the risk that perpetrators of fraud and corruption seek protection for their acts by accusing the auditors of libel and slander. The SAIs could consider working towards changes in their legislation which protects their auditors against such allegations and likely legal proceedings.

### 3.14 FIELD STANDARDS

Planning

Field Standard

“Field Standard” here refers to Field Standards as given in the INTOSAI Standards.

The auditor should plan the audit in a manner which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner. (paragraph 3.0.3 (a))

INTOSAI Guidance

In planning an audit, the auditor should:

identify important aspects of the environment in which the audited entity operates;

develop an understanding of the accountability relationships;

consider the form, content and users of audit opinions, conclusions or reports;

specify the audit objectives and the tests necessary to meet them;

identify key management systems and controls and carry out a preliminary assessment to identify both their strengths and weaknesses;

determine the materiality of matters to be considered;

review the internal audit of the audited entity and its work program;

assess the extent of reliance that might be placed on other auditors, for example, internal audit;

determine the most efficient and effective audit approach;

provide for a review to determine whether appropriate action has been taken on previously reported audit findings and recommendations; and

provide for appropriate documentation of the audit plan and for the proposed fieldwork. (paragraph 3.1.3)

The following planning steps are normally included in an audit:

collect information about the audited entity and its organization in order to assess risk and to determine materiality;

define the objective and scope of the audit;

undertake preliminary analysis to determine the approach to be adopted and the nature and extent of enquiries to be made later;

highlight special problems foreseen when planning the audit;

prepare a budget and a schedule for the audit;

identify staff requirements and a team for the audit; and

familiarize the audited entity about the scope, objectives and the assessment criteria of the audit and discuss with them as necessary. (paragraph 3.1.4)

The SAI may revise the plan during the audit when necessary.

ASOSAI Guideline 17

While planning his audit the auditor should assess the risk that fraud may



cause the financial statements to contain material misstatement or record material irregular transactions.

- The auditor may keep in view that the risk of fraud and corruption could be higher in certain organization like those involved in procurement of goods and services.
- The auditor may keep in view that when a fraud is conducted there is a deliberate effort to conceal the facts and distract the auditor.
- For planning the audit the auditor should have a complete understanding of the auditee including the environment in which the entity operates the level of internal control and the past performance of the auditee especially previous instances of fraud and corruption.

#### ASOSAI Guideline 18

Based on the risk assessment the auditor should develop the audit objective and design audit procedures so as to have reasonable expectation of detecting and evaluating material misstatement and irregularities arising from fraud and corruption. In case of high risk audit the audit team should be selected keeping in view the requirement of such audit.

#### ASOSAI Guideline 19

The SAI should keep in view the need for flexibility in terms of budget, time and expertise of the audit team particularly when fraud and corruption are suspected or discovered in the course of audit.

### 3.15 Supervision and Review.

#### Field Standard

The work of the audit staff at each level and audit phase should be properly supervised during the audit; and documented work should be reviewed by a senior member of the audit staff. (paragraph 3.0.3 (b))

#### INTOSAI Guidance

All audit work should be reviewed by a senior member of the audit staff before the audit opinions or reports are finalized. It should be carried out as each part of the audit progresses. Review brings more than one level of experience and judgment to the audit task and should ensure that:

all evaluations and conclusions are soundly based and are supported by competent, relevant and reasonable audit evidence as the foundation for the final audit opinion or report;

all errors, deficiencies and unusual matters have been properly identified, documented and either satisfactorily resolved or brought to the attention of a more senior SAI officer(s); and

changes and improvements necessary to the conduct of future audits are identified, recorded and taken into account in later audit plans and in staff development activities.(paragraph 3.2.4)

#### ASOSAI Guideline 20

For ensuring that all audits dealing with actual cases of fraud and corruption are adequately supervised, the SAI should develop policies, including a comprehensive supervision checklist, regarding supervision levels and procedures for managing the investigation of fraud and corruption.

When fraud and corruption are suspected in the course of audit the auditor should report the matter to the official of the SAI in accordance with the SAI's policy on supervision levels.

#### Study and Evaluation of Internal control

### 3.16 Field Standard

The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control. (paragraph 3.0.3 (c))

#### INTOSAI Guidance

The study and evaluation of internal control should be carried out according to the type of audit undertaken.(paragraph 3.3.2)

Where accounting or other information systems are computerized, the auditor should determine whether internal controls are functioning properly to ensure the integrity, reliability and completeness of the data. (paragraph 3.3.4)

#### ASOSAI Guideline 21

The changes and improvements in the internal control system made by management when there have been previous instances of fraud and corruption or in response to changes in the auditee environment should be particularly studied and evaluated during audit.

#### ASOSAI Guideline 22

Increasing use of IT systems by auditees requires that the auditor should have access to reliable and verifiable system-based audit trails to evaluate the internal control. For meeting this objective legislation or executive guidance should ensure that audit is viewed as a stakeholder in the system development.

#### Compliance With Applicable Laws and Regulations

##### 3.17 Field Standard

In conducting regularity (financial) audits, a test should be made of compliance with applicable laws and regulations. The auditor should design audit steps and procedures to provide reasonable assurance of detecting errors, irregularities, and illegal acts that could have a direct and material effect on the financial statement amounts or the results of regularity audits. The auditor also should be aware of the possibility of illegal acts that could have an indirect and material effect on the financial statements or results of regularity audits.

In conducting performance audits, an assessment should be made of compliance with applicable laws and regulations when necessary to satisfy the audit objectives. The auditor should design the audit to provide reasonable assurance of detecting illegal acts that could significantly affect audit objectives. The auditor also should be alert to situations or transactions that could be indicative of illegal acts that may have an indirect effect on the audit results.

Any indication that an irregularity, illegal act, fraud or error may have occurred which could have a material effect on the audit should cause the auditor to extend procedures to confirm or dispel such suspicions. (paragraph 3.0.3 (d))

#### INTOSAI Guidance

The auditor also should be alert to situations or transactions that could be indicative of illegal acts that may indirectly impact the results of the audit. When audit steps and procedures indicate that illegal acts have or may have occurred, the auditor needs to determine the extent to which these acts affect the audit results. (paragraph 3.4.4)

Without affecting the SAI's independence, the auditors should exercise due professional care and caution in extending audit steps and procedures relative to illegal acts so as not to interfere with potential future investigations or legal proceedings. Due care would include consulting appropriate legal counsel and the applicable law enforcement organizations to determine the audit steps and procedures to be followed. (paragraph 3.4.7)

#### ASOSAI Guideline 23

Whenever a material instance of failure to comply with the applicable laws

and regulations is observed the auditor should without automatically assuming the management and staff are dishonest investigate the control failure with an appropriate degree of professional skepticism. He may also examine if the supporting evidence has been tampered in any manner or any individual(s) could have benefited from the material violation.

### 3.18 Audit Evidence

#### Field Standard

Competent, relevant and reasonable evidence should be obtained to support the auditor's judgment and conclusions regarding the organization, program, activity or function under audit. (paragraph 3.0.3 (e))

#### INTOSAI Guidance

Auditors should have a sound understanding of techniques and procedures such as inspection, observation, enquiry and confirmation, to collect audit evidence. The SAI should ensure that the techniques employed are sufficient to reasonably detect all quantitatively material errors and irregularities. (paragraph 3.5.3)

#### ASOSAI Guideline 24

When auditors suspect the possibility of fraud and corruption, they should establish whether it has taken place and there has been resultant effect on the financial reporting, especially whether the certificate requires the qualification.

#### ASOSAI Guideline 25

When auditors intend to report on fraud and corruption, they should ensure the reliability of audit evidence by verifying it with source documents including third party evidence. Auditors should carefully determine how much evidence they should gather in support of audit conclusions. Auditors should also keep in view that the evidence gathered by them and the conclusion drawn by them could become the basis of legal or disciplinary proceedings. (Some of the sources of evidence and factors that may be considered in searching for evidence are listed in Appendix.)

#### ASOSAI Guideline 26

Since many records are produced by computers in the usual and ordinary course of work, auditors should understand how to collect and handle those records as audit evidence. Collecting computer evidence requires careful planning and execution. Auditors should examine whether appropriate controls are in place in order to ensure the authenticity of computer evidence.

#### Analysis of Financial Statements

### 3.19 Field Standard

In regularity (financial) audit, and in other types of audit when applicable, auditors should analyze the financial statements to establish whether acceptable accounting standards for financial reporting and disclosure are complied with. Analysis of financial statements should be performed to such a degree that a rational basis is obtained to express an opinion on financial statements. (paragraph 3.0.3 (f))

#### INTOSAI Guidance

Financial statement analysis aims at ascertaining the existence of the expected relationship within and between the various elements of the financial statements, identifying any unexpected relationships and any unusual trends. (paragraph 3.6.2) ASOSAI Guideline 27

Auditors need to be alert to deviations from acceptable accounting standards including disclosure requirements particularly when there is suspicion of

fraud and corruption.

#### REPORTING STANDARDS

“Reporting Standard” here refers to Reporting Standards given in the INTOSAI Standards.

#### Reporting Standard

- 3.20 20 At the end of each audit the auditor should prepare a written opinion or report, as appropriate, setting out the findings in an appropriate form; its content should be easy to understand and free from vagueness or ambiguity, include only information which is supported by competent and relevant audit evidence, and be independent, objective, fair and constructive. (paragraph 4.0.7 (a))

It is for the SAI to which they belong to decide finally on the action to be taken in relation to fraudulent practices or serious irregularities discovered by the auditors. (paragraph 4.0.7 (b))

#### INTOSAI Guidance

In formulating and following up recommendations, the auditor should maintain objectivity and independence and thus focus on whether identified weaknesses are corrected rather than on whether specific recommendations are adopted. (paragraph 4.0.26)

#### ASOSAI Guideline 28

When in the opinion of the auditor the financial statements include material fraudulent transactions, or such transactions have not been adequately disclosed, or the audit conducted by the auditor leads him to the conclusion that instance(s) of fraud and/or corruption have taken place and when the auditor has adequate evidence to support his conclusion, he should qualify the audit certificate and/or ensure that his findings are adequately included in his audit report. However, the term fraud or corruption may not be used in a conclusive sense unless such action is established in a court of law.

#### ASOSAI Guideline 29

The report may contain auditor’s recommendations for the changes in the system and procedures that could prevent recurrence of such instances.

#### ASOSAI Guideline 30

In following up on reported cases of fraud and corruption the auditor should determine whether the necessary action is being taken with due regard to urgency that the situation demands and become aware of the changes in the systems and procedures which could be validated through subsequent audits.

## Annexure I

### Types of Fraud and Corruption in Contracts

The following types of fraud and corruption have been reported in contracting for goods and services:

**Bribery and Kickbacks** - Money or any other form of reward or favour is exchanged between a public functionary and a provider of goods and services in order to obtain some benefit e.g. acceptance of substandard goods or obtaining unauthorized information.

**Changes in Original Contracts** - Changes are made in the original contract requiring flow of additional funds from the government to the contractor, which may affect the basis on which the contract was awarded to the contractor in the first instance. This may also involve front-loading of contract in the hope of increasing the price of the original contract through change orders or subsequent modifications to the contract.

**Duplicate Payments** - The contractor claims and receives payment for the same service or work done or goods supplied under the same or different contracts.

**Collusive or Cartel Bidding** - Contractors form cartels to fix artificially high prices for goods and services supplied by them.

**Conflict of Interest** - Contracts are awarded on the basis of vested interests of the decision makers.

**Defective Pricing** - The contractor submits inflated invoices.

**False Invoices** - The contractor submits invoices for goods that have not been delivered or do not properly represent the quantity or quality of goods and services supplied or work done as per contracted specifications.

**False Representations** - The contractor falsifies the goods specifications or his ability to provide certain services.

**Splitting of Purchases** - The purchases of goods and services are split either to avoid open competition or having to seek the approval of higher authority.

**Phantom Contractor** - Purchases are made from a fake supplier or contractor.

**Pilferage of Public Assets** - Public funds are used to acquire goods for personal use or public assets pilfered by officials.

**Tailored specifications** - Specifications and time limits are manipulated to favor a certain contractor or supplier.

## Annexure II

### WARNING SIGNS OF POSSIBLE FRAUD AND CORRUPTION IN CONTRACTS

Procurement and contracting of goods and services present different opportunities for fraud and corruption at different stages of the procurement and contracting processes. The auditor would be well advised to look out for warning signs corresponding to each stage. These warning signs indicate the increased risk factor in contracts and serve as red flags for the auditor.

Requirements defining stage

Inadequate needs analysis

Inadequate information about potential suppliers

Inadequate review of existing and required inventory

Unduly short supply period

Needs analysis is product rather than needs oriented

Someone other than the user defines the user requirements

Unwarranted involvement of senior officials

Bidding and selection stage

The specifications are not clearly defined

A very limited number of offers is received

Documentation indicates unusual involvement of an official

Suspicion about conflict of interest

Evidence of early receipt of information by some contractors

Request for proposal is not properly advertised

Unusual handling of the bidding process

Evaluation criteria is not consistent for different offerors

Exceptions to the tender deadlines

Changes in the bids made after their formal receipt

Lowest responsive bidder is not selected

Contractor submits unrealistic bid indicating collusion or bid rotation

Unusual withdrawal of bids

Re-bid results identical to original bids

Successful contractors use competitors as sub-contractors

Justification for single source procurement is inadequate

Contract performance and evaluation stage

Changes in a contract result in the large increase in the cost of goods and services

Changes made without adequate explanations

Unwarranted contract extension

Complaints about the quality of goods and services received

Inadequate inspections and quality assurance of goods and services received

Evidence of over charging and duplicate billings

Dubious invoices

Insufficient pre-audit of contractor payments

Contracts repeatedly awarded to one contractor

Unduly high labor payments

### Annexure III

#### Audit Evidence

In searching for the evidence of fraud and corruption the auditor must:

Always search for the strongest possible evidence;

Investigate without delay, as evidence can be destroyed, lost or forgotten;

Not ignore small clues or leads;

Look for facts that confirm or refute suspicions;

Concentrate on the weakest point in the fraud and corruption.

Identify and summarize the evidence indicating that fraud and corruption may have been committed;

Identify the possible scenario of fraud and/or corruption;

Summarize and explain the accounting and control systems involved, the paper trail involved in the transaction, and the deviations from the systems;

Explain patterns used in covering up the fraud and corruption;

Identify the possible extent of the fraud and corruption; and

Consider the possibility of collusion.

#### Sources of Evidence

**Documents from the auditee:** During the course of examination of books of accounts, auditors investigate various documents that serve as evidence for the audit. These documents may be originals or photocopies depending upon their importance.

**Report of Internal Auditor:** The internal auditor may have identified instances of deviation from normal procedure.

**Interviews:** Auditors can obtain important information from various government employees. Since they may have noticed internal control failure made by managers and fraudulent activities perpetrated by other employees, interviews may be useful in detecting material misstatements caused by fraud and corruption.

**Inspection/ Observation:** Auditors can notice possibility of fraud and corruption through the examination of inspection /observation/physical verification reports (e.g. forged document, inventory not in existence or inferior quality). Where any auditor relies on physical observation for an audit conclusion this would need to be supported with properly documented evidence.

**Questionnaires:** Auditors may gather important and helpful information by using questionnaires.

**Confirmation with other related parties:** Auditors sometimes obtain information directly from other related parties (e.g. bank balance confirmation from the bank, Debtor's balance confirmation from individual debtors etc). If the figures provided by these agencies do not tally with the books of account, they should check in detail to find out the reason for discrepancy.

**Results of Analytical Review:** Auditors analyze both financial and non-financial information, which can indicate abnormal trends. In that case, auditors need to concentrate on particular areas.

**Expert Opinion:** Auditors may seek expert opinion about a suspicious case. The expert's opinion becomes evidence if auditors can rely on that opinion in assessing fraud and corruption.

### Appendix - III

#### Monthly Arrear Report (Clause 18.1)

FORM -- A -- I  
SHOWING ARREARS IN AUDIT AND REVIEW

Section

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Sr. No.

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