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**OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL  
(AUDIT) JHARKHAND, RANCHI**

**MANUAL OF AMG-II**



**ISSUED BY AUTHORITY OF THE PRINCIPAL ACCOUNTANT GENERAL  
(AUDIT) JHARKHAND, RANCHI**

**PREFACE**

The Audit Management Group-II Manual 2021, erstwhile known by the nomenclature “Outside Audit Department (OAD)”, has been prepared. It was first compiled in 1958 and subsequently updated in the years 1982, 1999 and 2008 respectively incorporating the changes in the scope, methodology, processes, planning, nature of audit products, types of audit, reporting requirements, demands of stakeholders, conformity and consistency with the processes in State Government Departments functions. Some of the significant changes were restructuring of the Indian Audit and Accounts Department and transfer of works accordingly. In this connection, Sectoral and Cluster wise restructuring of IA&AD offices in year 2012 and 2020 respectively have significant impact on the processes of audit.

2. This Manual embodies a general direction and detailed instructions for efficient performance of audit. The instructions contained in this manual are supplementary to Codes and Manuals issued from time to time by the office of Comptroller and Auditor General (C&AG) of India and other authorities. Relevant chapters also contain salient features of Compliance Auditing Guidelines, Performance Auditing Guidelines, AQMF, practices prevalent in INTOSAI and ASSOSAI.

3. An attempt has been made in this Manual to cover a wide ground and periodical revisions based upon actual experience gained in field audit to keep pace with audit procedures in ever expanding activities of the government departments. Audit parties are required to bring to the notice of Headquarters any changes or additions as and when deem fit to be part of the Manual.

4. Further, this Manual has adopted new chapter on audit of Panchayati Raj Institutions (PRIs) units. The prevalent practices of audit of PRIs units by erstwhile LAD Examiner, Ranchi before/after creation of DLFA have been adopted as well as Headquarters’ instructions and circulars issued from time to time regarding conduct of PRI audit.

5. AMG-II Headquarter will be responsible for keeping the Manual updated by periodical issue of correction slips so that it may serve the intended purpose.

6. The efforts of Sri K.K. Shrivastawa, Sr.AO, AMG-II (Hqs) to update and revise the AMG-II Manual in year 2021 under direction of Sri Debashish Goswami, Sr.DAG (AMG-II) were praiseworthy.

7. The editing and updating of Manual has been carried out by 11 Sr.AOs under close Supervision of Md. Faizan Ahmad,Sr.DAG (SS-I) and Sri. Debashish Goswami, Sr.DAG (AMG- II)
8. Any omission or inaccuracy noticed in the Manual may be brought to the notice of the Sr. Deputy Accountant General (AMG -II) for further improvement.
9. The text contained in this Manual should not be quoted or referred to as an Authority in any correspondence outside this office.

Dated:27/09/2021

Principal Accountant General (Audit)  
Jharkhand, Ranchi

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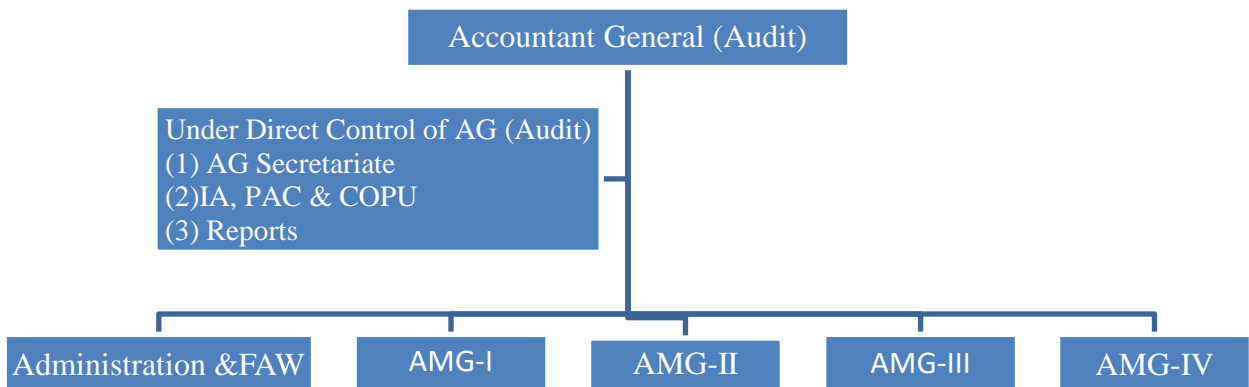
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## CHAPTER-01

### 1.1 Historical Background

With the carving out of a new state from Bihar, the state of Jharkhand came into existence from 15-11-2000; subsequently the offices responsible for compilation of accounts of the State of Bihar (undivided) and conducting audit thereto were also renamed as (1) O/o the Principal Accountant General (A&E)-I ,Bihar and Jharkhand, Ranchi (2) O/o the Accountant General (A&E)-II Bihar and Jharkhand, Patna (3) O/o the Accountant General (Audit)-I Bihar and Jharkhand, Patna and (4) O/o the Accountant General (Audit)-II Bihar and Jharkhand, Ranchi. Again, with an account of functional re-adjustment between the audit offices situated in Patna and Ranchi, O/o the Accountant General (Audit)-II Bihar and Jharkhand, Ranchi was recognized as O/o the Accountant General (Audit) Jharkhand, Ranchi with effect from 22 July 2002. To align the auditing work with functional set up of the state of Jharkhand, O/o the Accountant General (Audit) Jharkhand, Ranchi restructured<sup>1</sup> its internal functioning with effect from 02-04-2012 in the sectoral groups viz Social Sector I and II, Economic and General Sector I and II and Revenue Sector each headed by IA&AS rank officer designated as Deputy Accountant General/Sr. Deputy Accountant General and also known as Group Officer. The office of the Principal Accountant General Audit has again been restructured (July 2020) and divided in four Audit Management Groups viz AMG-I, AMG-II, AMG-III and AMG-IV. By this restructuring, the auditee departments have been regrouped. The previous Social Sector-I has been renamed as AMG-II. AMG-II audits the departments of Agriculture, Food and allied industries, Health, Rural Development, Water resource and Welfare.

### 1.2 Organisational structure of the office



Each of the sectors shown above is headed by an IA & AS rank officer designated as Deputy Accountant General/ Sr. Deputy Accountant General. However, how many sectors an IA & AS officer would head depends on the availability of such officers in the office.

<sup>1</sup> Headquarters' Office Order No. 111-SMU/PP/Restructuring/5-2011 dated 27.03.2012

### **1.2.1 Audit Mandate and functions**

The CAG derives its authority and functions mainly from the provisions of Articles 149 to 151 of the Constitution of India. Article 149 of the Constitution provides that the CAG shall exercise such powers and perform such duties in relation to the accounts of the Union and of the States and of any other authority or body as may be prescribed by or under any law made by the Parliament. Parliament passed the necessary legislation, namely CAG's (Duties, Powers and Conditions of Service) Act, 1971. The CAG discharges its constitutional obligation of audit function for the State of Jharkhand with the help of the Accountant General (Audit) Jharkhand, Ranchi in relation to the audit of the accounts of the state in keeping with the power vested under section 13 to 21, 23 and 24 of the Act *ibid* including amendments<sup>2</sup> made there under. The Audit Management Group-II helps Accountant General (Audit) Jharkhand Ranchi to plan and execute compliance audit and performance audit (whenever approved by the headquarters office) with respect to the Department/body/authority etc. shown in Table 1.4. Besides, the sector also contributes material for All India Performance Audit if the topic of such audit pertains to the department under the purview of this sector.

**Table: 1.1 Showing DPC Act in nutshell**

*Important Sections of DPC Act in nutshell*

- ☞ *Section-13 enjoins upon CAG to conduct audit of expenditure incurred from the Consolidated fund of India and of each state and of all Union Territory having legislative Assembly to ascertain whether the moneys shown in the accounts as having been disbursed, were legally available for and applicable to the service or purpose to which they had been applied or charged. This section involves audit with respect to regularity, propriety, efficiency cum performance and system audit. Auditing of transaction made under Contingency Fund and Public Accounts come under the ambit of the section.*
- ☞ *Section-14 empowers audit of receipts and expenditure of anybody or authority substantially financed by loan or grants from the consolidated Fund and reporting of such audit.*
- ☞ *Section-15 deals with scrutinizing the procedure by which the authority satisfied itself with fulfillment of terms and condition while authorizing sanctioning of loan or grants for any specific purposes to a body or authority excluding foreign State or International organization.*
- ☞ *Section-16 provides for audit of all receipts which are payable into the Consolidated Fund. This section also requires CAG to satisfy himself that the rules and procedures in that behalf are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed.*
- ☞ *Section-17 empowers to audit the accounts of stock and stores.*
- ☞ *Section- 18 is an enabling section which empowers CAG to require any books, account papers related to the transaction of Union or State or Union territory to which his duty of exercising audit relates at a place appointed by him and inspecting any office of account under Union or State or Union Territory besides, putting such question and making such observation as he may consider necessary to the person Incharge of the*

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<sup>2</sup> The DPC Act was amended in 1976, 1984 and 1987

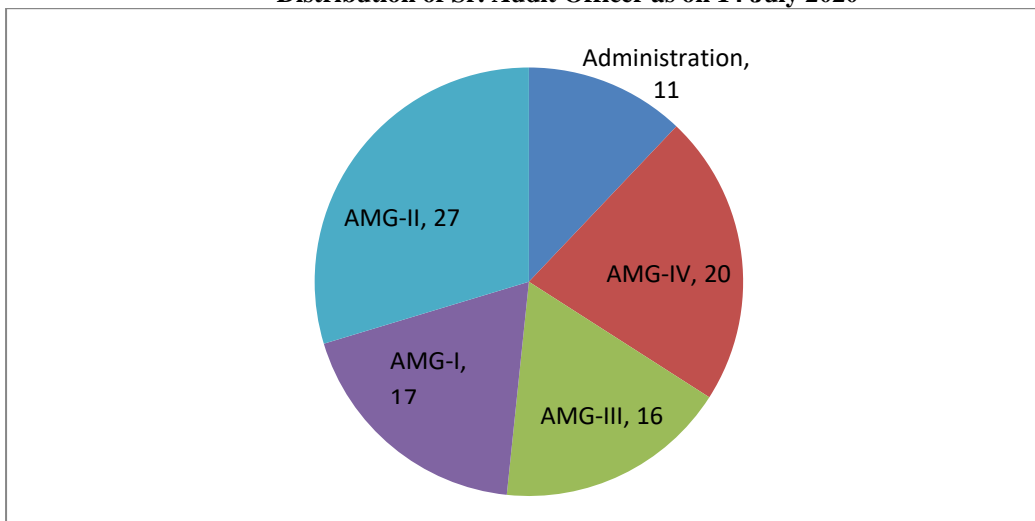
office. This directs the Incharge of the office of inspection to afford all facility of such inspection and provide all information as requested in a complete form so far it is possible.

☞ Section-19 vests responsibility to CAG for the audit of Government Companies and corporation established by or under law made by Parliament. Accounts of any corporation established by or under law made by legislature of a state or Union Territory having legislative assembly may be audited if such a request is made to the CAG by Governor of a State or Administrator of Union Territory in public interest.

### 1.2 .2 Human Resources

The office draws its man power from the direct recruitment through Staff Selection Commission and through deputation from different offices under IA & AD. The man powers vested under the authority of Accountant General (Audit) is designated as Senior Audit Officer, Assistant Audit officer, Senior Auditor, Auditor, and is assisted by Clerks, Data Entry Operator, and Multi-tasking Staff. In order to make audit offices more officer centric to give effect to shifting of audit approach from the audit of Establishment to Risk based audit, the rationalization of staff strength in offices under IA & AD is under process in a phased manner. The office being a field office of IA &AD also form the part of such rationalization exercise resulting in rationalization of its staff strength in cadre of Audit officer/Sr. Audit officer from the existing 76 to 100<sup>3</sup> as on 21-04-2017. The strength in cadre of Assistant Audit Officer and Auditor/Sr. Auditors is also to be rationalized so as to reach a ratio of Sr. AO, AAO and Auditor/Sr. Auditor 1:2:2.5 through promotion/recruitment/attrition etc as a part of rationalization exercise. The inter-sectoral distribution of personnel has also been kept deployed in the same ratio so far it is practicable. The sectoral distribution of Sr. AO followed by short term rationalization is shown in the following Chart:

**Distribution of Sr. Audit Officer as on 14 July 2020**



<sup>3</sup> This includes 6 posts of commercial cadre

### **1.2.3 Training and Workshop**

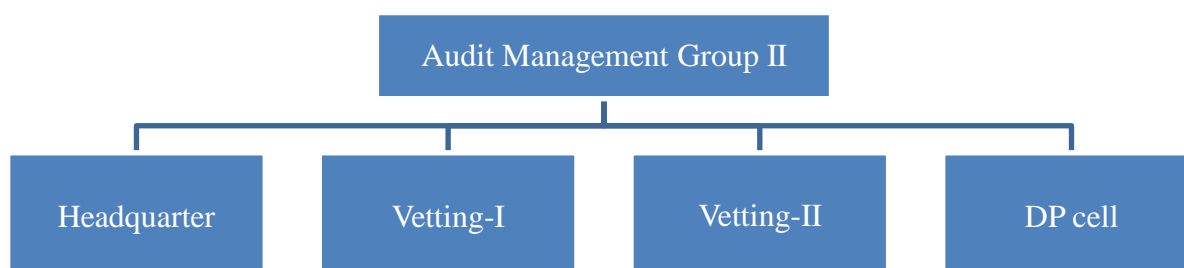
To keep audit personnel abreast with latest audit methodology and to build a pool of professionally skilled audit personnel to cater to the need of ever changing audit environment besides addressing the gap between existing and required level of competencies, training and workshops are instrumental. The office is affiliated with Regional Training Institute (RTI) Ranchi for its training requirements. Besides, the office has formed a Training Need Analysis Committee chaired by Accountant General (Audit) and all the group officers being its member. The Principal Director, RTI is also an ex-officio member of this committee. The Committee analyses training needs in detail and draws up Annual calendar for office specific training requirement to be imparted under in-house training program. On the basis of detailed analysis of training needs, requirements for specific training, if any, are sent to RTI. This also helps to decide the number of slots to be sought for office from the RTI. The Annual calendar for in-house training records office specific training needs whereas training in RTI is special requirement. However, the following matters have to be necessarily incorporated in in-house training program during the year:

- Awareness about ISSAIs
- Right to information Act
- Office procedure
- Writing of Annual Performance Appraisal Report
- Evidence gathering and Analysis
- Report writing
- Documentation under various stages of Audit.

All efforts are to be taken to organize at least two courses in every month having duration of 3 days each. The AMG-II provides required slots for training for the personnel posted in the sector and also provides trainers for in-house training programs.

### **1.2.4 Sectional Set up and Manpower Distribution**

The Audit Management Group-II discharges both compliance audit and performance audit as per the Annual Audit plan approved by headquarters office with the audit parties formed separately for both the audits. Besides, a team of personnel posted in headquarters office provide necessary support to the teams and exercise monitoring and control in terms of planning as well as executing auditing function and processing of Draft Inspection Report/ Potential Draft Para to be issued to the respective Departmental Head as per the norms set in compliance audit guidelines and MSO. The personnel posted in headquarters office have been sub-divided into the following sections:





Each of the section shown above comprises the requisite number of Assistant Audit Officer, Auditors /Sr. Auditors and supporting staff and function under supervision of Sr. Audit Officer. The sectional strength is shown in the table given below:

**Table: 1.2 Distribution of Man-in-Possession of AMG-II as in September 2020**

Sl.No.	Section	Sr.AO	AAO/Sup.	Sr. Ar./Ar.	DEO/Clerk	MTS
1	AMG-II (HQs)	01	02	07	03	-
2	AMG-II (Field)	19	33	19	-	-
3	AMG-II (Vetting-I)	01	02	05	-	01
4	AMG-II (Vetting-II)	01	02	05	-	-
5	AMG-II (DP Cell)	01	03	01	-	01
	<b>Total</b>	<b>23</b>	<b>42</b>	<b>37</b>	<b>03</b>	<b>02</b>

Each section performs allotted items of work as detailed in the table with the allotted man power.

**Table:1.3 Details of work performed by each section**

SI. No.	Sections	Allotted items of work
1.	AMG-II (Hqr)	<ul style="list-style-type: none"> <li>• Preparation of Annual Audit Plan, Rolling Plan and strategic plan of AMG-II,</li> <li>• Arrangement of Intra wing training programme for official of AMG-II</li> <li>• Consolidated TGS quarterly report return on Local Bodies of AMG-II,</li> <li>• Arrangement of Quarterly training programme with the DLFA</li> <li>• Making correspondence with the headquarters office New Delhi on various issues and providing inter-sectoral co-ordination.</li> <li>• Preparation of Staff proposals of AMG-II wing for field &amp; HQs deployment as per requirements.</li> <li>• Maintenance and regular updation of permanent Programme Register,</li> <li>• Preparation of Tour Programme of AMG-II to field parties and inspecting officers</li> <li>• Work connected with tour advances, checking of all TA adjustment bills, weekly Diaries of the parties and monthly tour diaries of the inspecting officers.</li> <li>• Watching receipt of Draft Inspection Reports from the parties/inspecting officers and all correspondence connected therewith. Transmission of Draft Inspection to the respective sections. Consolidation of monthly and quarterly reports..</li> <li>• All co-ordination work and Miscellaneous work</li> </ul>
2.	AMG-II (Vetting-I)	<p>Vetting, pursuance and settlement of all inspection reports pertaining to the following departments:-</p> <ul style="list-style-type: none"> <li>• Panchayati Raj (including ABs &amp; PSUs) Directorate, Dy Director DPRO, Training Institute (Deoghar and Ranchi), Zila Parishad, Panchayat Samiti, Gram Panchayat, BDO</li> <li>• Rural development department (RWD, RDSD, DRDA, DPO, NREP etc),</li> <li>• Health, Medical Educatio &amp; Family Welfare Department including ABs and PSUs)</li> <li>• Food, Civil Supplies and Consumer Affairs (District Supply Officer, etc including ABs and PSUs)</li> </ul>

3.	AMG-II (Vetting –II)	Vetting, pursuance, settlement of all inspection reports pertaining to; <ul style="list-style-type: none"> <li>• Welfare Department (including ABs and PSUs, if any)</li> <li>• Women, Child Development &amp; Social Security (including ABs and PSUs), District Programme Officer, CDPO etc</li> <li>• Agriculture, Co-operative and Animal Husbandry Department (including ABs and PSUs)</li> <li>• Water Resource (including ABs and PSUs), MI etc</li> </ul>
4.	AMG-II DP Cell (Draft Para Cell).	(i) The cell is responsible for processing of all draft paras and draft for the Audit Report in respect of all the departments dealt with in AMG-II. (ii) Any other works entrusted by Principal Accountant General

### **1.3 Department of Government of Jharkhand which is under the audit purview of AMG-II**

The AMG-II plans for the compliance audit of the auditee units falling from the departments given in Table 1.4. As per the Permanent Planning Register there are 7152 auditable units under AMG-II as in October connected with the Departments of Government of Jharkhand performing Social Sector activities. Though, the selection of the unit for audit in a financial year is made on the basis of risk exposure involved under each of the unit and the man power available for such audit. Performance Audit/Thematic Audit, if any planned, pertaining to any of this Department is also carried out by this Group.

**Table: 1.4 Departments of Government of Jharkhand with auditable units therein audited by AMG-II**

SI No.	Department	Audit entities
1	Agriculture, Animal husbandry and co-operative	428
2	Food, Civil supply and consumer affairs	59
3	Health, Medical Education and Family Welfare	1035
4	SC, ST, Minority and Backward class welfare	35
5	Rural Development including PRIs	5095
6	Water Resource	216
7	Women, Child Development and Social Security	284
	Grand Total	7152

# This section includes various autonomous bodies non-governmental organisations receiving grants/loan from the Government of Jharkhand.

#### **1.3.1 Audit Planning**

##### **General**

A high quality audit is to be carried out in an economic efficient and effective way and in a timely manner. It is imperative that compliance audits are planned to achieve adequate coverage at an acceptably low level of audit risk, by audit processes which would result in a high quality audit report. Thus, adequate planning needs also to ensure that appropriate attention is accorded to crucial areas of audit and potential problems are also identified in a timely manner which necessitates planning of compliance audit with professional scepticism and professional judgment. As it would not be practical to cover each unit of audit universe for audit therefore, top down, risk based, department centric mechanism for macro level planning and preparation of annual compliance audit plans is the way out.

### **1.3.2 Preparation of Annual Audit Plan**

Early in January each year, Headquarters Section will prepare a plan for local audit and inspections to be undertaken during the ensuing financial year based on the availability of parties during the year. The plan will be in the form of an annual program and approved by the Accountant General (Audit). This will be further split up into quarterly program for various inspecting parties. In addition to the units selected for audit, copies of this program of local audit should also be sent to the Administrative Departments and the Heads of the Departments concerned. While preparing the Annual Audit Plan, care should be taken to include, on a regular basis, at least 25 per cent of the transactions from the Personal Ledger/Personal Deposit Accounts of the Drawing and Disbursing Officers being audited. Only amounts booked under Minor Head 106 under Major Head 8443 (relating to disbursements in the previous year's accounts) should be taken into account for this purpose. Audit planning should also recognize the necessity of professional/technical assistance in complex areas of investigation. Therefore, provision may also be made in the plan for procurement of services of outside experts in the relevant fields, wherever necessary.

### **1.3.3 Risk profiling**

The risk based approach of planning compliance audits is about focusing audit efforts on the perceived high risk areas/activities. Risk profiling of the Apex Auditable Entities and their Audit Units has to be done considering their structures, roles they are expected to perform and compliance requirements. As the Governments and other organizations has taken to transition into digital environment, they generate process and store voluminous data. Also, useful and relevant data in separate forms continuously produced by various government and non-government agencies and entities when collated provide the contextual framework and valuable insight into the functioning of an apex auditable entity. The advent of big data marks a paradigm shift, which by design integrates data from various sources and in various formats to transform data into actionable information.

The IA&AD has adopted a Big Data Management Policy to harness such information. This policy is expected to facilitate greater and deeper insights into the Apex Auditable Entity's environment to clearly identify risk areas and priorities the audit units. Clearly, holistic database of audit entities is required for preparation of compliance audit plan. Therefore, it has been endeavoured to collect relevant information of five years<sup>4</sup> about the various risk parameters by visiting the Apex Auditable units. The risk parameters while collecting the information inter alia includes number of audit units, Government orders, policies, budget and expenditure annual plans important instruction/circulars/guidelines issued to audit units/implementing units for implementation of various schemes/programs and other relevant information. The database so collected is utilized for risk profiling of the unit.

**Table:1.5 Definition of Audit Unit, Implementing Unit and Apex Unit**

<p>☞ <b>Audit unit</b>-A unit functioning for achievement of the objective of the Department having substantial devolution of administrative and financial powers or functional autonomy or operational significance with reference to achievement of objectives of the apex auditable entity or any of the two or more.</p>
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<sup>4</sup> Headquarters Letter No CR/CO-Ordn/AAP 2018 dated 25/10/2017

- ☞ **Implementing Unit-** The last mile service providers and implementation arms of Government, with very limited delegation of financial and administrative powers - of contingent nature and for managing establishment.
- ☞ **Apex Auditable Unit-**The Department / Sector in the State Government or the Central Government being the top layer would be defined as the Apex Auditable Entity

#### **1.3.4 The factors to be reviewed while assessing risk:**

- Latest socio-economic survey of the Centre/ State
- Current Budget & Demands for Grant
- Outcome budgets
- Five year plans and Working Group reports/ Annual plans
- Finance Commission Report
- Annual/ Performance/ Activity Reports of Ministries / Departments/ Companies and other information on Government websites
- Major policy announcements/initiatives of Government
- VLC data & Report on State Finances
- Finance & Appropriation Accounts
- Geographical location
- Past audit coverage
- PAC/COPU suggestions
- Court orders
- Audit Advisory Board suggestions
- Reports of Legislative Committees
- Changes in legislation
- Replies to questions given to the Legislature
- Past Audit findings/ Inspection Reports
- Media reports and visibility of topics
- Trend of expenditure and /or receipts

#### **1.3.5 Components of Annual Compliance Audit Plan**

- a. Selection of Apex Auditable Entities and Audit Units that would be taken up for compliance audits;
- b. Selection of implementing units under the audit units as necessary;
- c. Determination of specific subject matter, where considered necessary; and
- d. Allocation of audit resources for the audits to be undertaken

#### **1.3.6 Audit of Apex Auditable unit and review of Risk Profile**

It must be the endeavour of the office to ensure coverage of all Apex Auditable Entities in a reasonable period of time, between three to five years. The risk profile of the audit units would have to be reviewed and updated periodically to assess continued maintenance or to consider revision in the risk profile assigned to the apex auditable entities and audit units based on new intervening developments, changes and increase/decrease in irregularities noticed by various stakeholders, etc.

The programme of local audit for a financial year should, however, be drawn up after due consideration of the availability of requisite and duly qualified staff for the purpose. The programme so drawn up, should, then be communicated to the Finance Department of the State Government, which shall be asked to suggest if they want any other office to be

included for any special reason in the list for the year. In finalising the list, due consideration may be given to the suggestions of the State Government. If the suggestion of the State Govt. cannot be implemented within the resources at our disposal, it may be necessary to postpone the audit of some other less important office for subsequent year. The copy of the programme thus finalised may be sent to the government.

### **1.3.7 Concerned for Information**

A copy of the programme of local audit both of the preliminary and final stages should simultaneously be sent to the Department concerned of the State Govt. and Finance department besides, sending them to the ministry concerned for suggestions for inclusion in the list any other offices for any special reasons.

(C.&A.G.'s circular letter no. 571 Admn. I/158-57-II dated 14.3.58 & no. 975-T.A.I/191-69 dt. 2.7.69)

### **1.3.8 Consent Audit**

With the promulgation of C&AG's (D.P.C) Act, 1971 the practice of undertaking audit on consent basis has ceased and audit is undertaken by the Comptroller and Auditor General under one or the other section of the Act or any other parliamentary enactment.

(Authority C.&A.G's office letter no. 854-T.A-37-74-II dated 10.10.1974)

### **1.3.9 Special Audit**

The special audit of an office or institution may be undertaken on the request of the state government when a report of frauds, misappropriation or any other serious financial irregularity is received or when such serious irregularities are suspected. Such an audit usually requires more time than the ordinary test audit as a more thorough check has to be exercised in such cases. Special measures to meet the demands for special audits will have to be taken as and when they are made. The Accountant General will, however, personally decide on the merits and seriousness of each case whether such an audit would be taken up or not.

(Para 3 of Auditor General's letter no: Admn.I/167/34 dated 3rd January, 1935)

### **1.3.10 Concurrent Audit**

Under the orders of the Accountant General the control and management of the concurrent audit of the relief camps have been entrusted to the AMG-II.

### **1.3.11 Grants- in- aid audit/ Loan Audit**

Audit of accounts of bodies/authorities receiving substantial amount of grants and/or loan from consolidated fund of India or of any State is undertaken under the provisions of Section 14 of C&AG's (DPC) Act, 1971. Grants or loans given for any specific purpose from the consolidated fund of India or of any State are subjected to audit under Section 15 of the Act, *ibid*, if the amount of grant or loan is not substantial within the meaning of section 14. Such audit is in the nature of grants-in-aid or loan audit as was being conducted prior to the promulgation of C&AG's (DPC) Act, 1971.

The scope and extent of audit under Section 15 of C&AG's (DPC) Act, 1971 have been laid down in the Manual of Instructions for Audit of Autonomous Bodies.

### **1.3.12 Incidence of Cost of the Department**

Cost of inspections and local audits of the Government Accounts for which the Comptroller and Auditor General of India is statutorily responsible is a central charge and is debitable to the major head "2016" Audit.

## **1.4 Supervision of Audit by Inspecting Officers**

With a view to establish close contacts between the supervising officers and also for the sake of ensuring better and more effective supervision full or partial, a group of 2 or 3 Audit parties may be placed under the charge of an Inspecting officer, who is primarily responsible for efficient supervision over the local audit and proper drafting in case of full supervision, editing and timely submission of DIR to the concerned controlling section. Full co-operation of party members are also invariably desirable in this regard as the work of audit is basically a team work. The principle of placement of 2 or 3 Audit parties under the charge of an Inspecting officer is, however, not hard and fast.

### **1.4.1 Selection of Staff for Inspection Work**

The Comptroller and Auditor General has observed that if inspections are to serve their purpose and if maximum value is to be obtained for the expenditure incurred on inspections, the inspection work should be specially entrusted to specially trained, competent and intelligent staff who would, in addition to exercising the routine prescribed checks, also examine the accounts intelligently and pay due regard to the Principles of higher audit standard. Special attention should, therefore, be given to the selection of staff deputed for inspection work so that it may be ensured that the inspections are conducted in a really effective manner.

(Authority C. & A. G.'s letter no. 565-Admn. G. Rep-99 dated 23.3.1950).

### **1.4.2 Period of Stay in Audit Party**

Members of AMG-II parties, namely, AAOs /Supervisors and Auditors/ Sr. Auditors are required to stay in the audit party strictly in accordance with the agreement reached between the staff Association and the Administration. However, administrative convenience will prevail.

### **1.4.3 Revision of Tour Program**

During audit if a need is felt to revise the approved tour program the party in-charge will send intimation to the controlling section and the controlling section will obtain an approval of the same from the competent authority. The controlling sections should intimate in writing the approval or otherwise to the party before completion of audit of that unit.

TA adjustment claim may be submitted on monthly basis to the Controlling section. Controlling section will certify the correctness of the day of the tour program and forward it to the concerned section for processing the claim. Wherever the program has been modified the same will be suitably indicated in the TA claims taking into consideration of the revised program<sup>5</sup>.

### **1.4.4 Audit Fees**

Where the Comptroller and Auditor General of India is the sole auditor of a body/institution, auditing charges will be payable by the auditee institution in full unless specially waived by government. No audit fee is, however, recoverable for super-imposed audit.

No cost of audit for ECPA reviews of autonomous bodies be recovered even where cost of audit of accounts of these bodies is being recovered.

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<sup>5</sup> Order of AG (Audit) OO No-Admn-Au-22 dated 20/04/2017

The audit fee should be calculated as per instructions contained in Annexure 17 of Manual of Instructions for Audit of Autonomous Bodies, Vol-I,2007 Edition and the record of recovery of audit fee should be kept in the form SY 338.

The Register should be filled in when the Inspection Report relating to the institution from which the fee is recoverable is received. A demand note will be simultaneously issued to the Head of the institution concerned. On receipt of the amount so claimed the remaining columns of the Register should be filled in and put up to Sr. AO (Hqrs).

#### **1.4.5 Bodies and Authorities**

A list of the bodies and authorities under the audit control of AMG-II in respect of which audit fees are recoverable is maintained in AMG-II (Hqr) Section. The list may vary from time to time as per addition and deletion of items with the prior approval of Accountant General (Audit).

#### **1.4.6 Cost of Special Audit**

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

(Vide C. & A.G.'s letter no. 1615 Admn-III/232-60 dated 11.8.60).

Audit fees for the conduct of audit of accounts in respect of State Social Welfare Advisory Boards to welfare extension projects will not be charged.

(C. & A.G.'s letter no. 2215 Admn. I/576-56-III dated 10.9.59.)

#### **1.4.7 Contingent Charges incurred by the Audit Parties**

Once in every quarter, the audit parties should submit to the Head office bill for the actual contingent charges incurred by them during the period, in connection with the transportation of Govt. records from one station to another during tour or transfer. The bill should be submitted in the form provided for the purpose and the requisite certificates should invariably be signed by the claimant.

Railway money receipts should be furnished where Railway freight is claimed. The bills will be examined by the Asstt. Audit officer concerned at the Headquarters and after approval by the DAG, AMG-II made over to the cashier for remittance of the amount to the officer concerned.

#### **1.4.8 DA for Continuous Halt**

It will be regulated as per prevailing rules of S.R.72 and 73 of Government of India (P&T) Compilation of Fundamental Rules and Supplementary Rules. However, the A.G. has full power to relax S.R.72 *ibid*.

#### **1.4.9 Certification of period of stay in hotel etc.**

From 1st November 2015 Senior Audit officer (Sr. AO) supervising a field audit party should certify that all the particulars, viz Stay in place of hotel, mode of travel, etc stated in the TA bills submitted by all Officers/officials up to the level of Assistant Audit Officer on tour in field audit party under their supervision are correct to the best of their knowledge and belief.

In case of partial supervision of a Senior Audit Officer in field audit party, the above certificate should be given for the period of his supervision.

Where the field audit party operates without supervision of Senior Audit officer, such certificate should be given by the senior most Assistant Audit officer available in the field party in respect of other members. Correctness of the claim vis-à-vis TA Rules will continue to be checked in Establishment section as per the existing system<sup>6</sup>.

#### **1.4.10 Special relaxation to Audit Inspection Staff**

Power has been delegated to head of the department in the Indian Audit and Accounts Department in relaxation of S.R.72 to sanction daily allowances to the member of inspecting staff on Sunday and holidays, when they have to stay while on tour at a place other than the place of duty, subject to the condition that the delegated power is exercised only in cases where it is certified that the government servant concerned had to stay at a place other than the place of duty due to non-availability of boarding and lodging facilities at the latter place and not to suit his private convenience;

(G.I.M.F letter no. F.3(2)-E-G.1/66 dated 29-9-66)

It has therefore, been instructed that the officials while on tour should not stay at a place other than the place of duty except in very special circumstances due to non-availability of government or private boarding and lodging facilities there and such stay should not be to suit their private convenience and the place of halt shall be recorded in the tour diary.

Non-availability of boarding and lodging facilities at the place of duty should also be certified by the concerned official as well as by the supervising officer. Non stay at the place of duty should be intimated to Headquarter under registered post addressed to Sr. Audit officer AMG-II (Hqrs) by name immediately on commencement of such non-stay.

(Authority: O.O.No. SRA /1/TA/108 dated 12.11.92)

#### **1.5 Daily Allowance for Halts during Casual Leave and Holidays etc. while on tour**

- (a) No daily allowance will be admissible during casual leave or compensation leave whether it is spent at the place of duty or elsewhere. Details of such leave enjoyed should in all cases be noted in "Remark" column of the TA bill.
- (b) Same remarks apply to holidays and Sundays spent at a place other than the station of duty.

##### **1.5.1 Journey in Connection with Court Cases**

If any member of outside Audit Party attends a court to give evidence on Saturday or on a day immediately preceding a holiday, he should commence his return journey on the following Sunday or on a holiday. No travelling allowance claim will be passed, if he halts on Sunday or on a holiday.

##### **1.5.2 Responsibility for the Correctness of Claims**

The Assistant Audit Officers are personally responsible for the correctness of journeys and halts shown in their own TA bills as well as in those of other members of their parties. They should countersign the office copies of the TA bills of their Sr. Auditor / Auditors in token of correctness.

Application for TA advances on tour must be submitted to the headquarters in time by 10th of the month preceding the month for which advances are applied for. For example, application for TA advance for September 2007 must invariably be submitted by 10th of August 2007

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<sup>6</sup> Order of AG ,Oo No-Conf. Cell-Au-Delegation-05 dated 06/10/2015



along with TA adjustment bill of July 2007. All weekly diaries/previous monthly tour diary (in the case of supervisory officers) must also be sent, if not already sent.

**1.5.3 Time Limit for submission of TA Bills**

All Party members of AMG-II (field) should submit their respective TA Bills to the AAO/AMG-II (HQs).The AAO should mark the same to the dealing assistant for diarizing in “TA Adjustment Diary Register” as well as “TA Advance Diary Register”(if any Advance has been taken). After checking, the TA Bills (Party wise) are sent to Estt.-I Section through “TA Transit Register”. Where TA Bills are processed in Estt.-I section. The controlling section is to ensure that the TA claims of the field party should reach Establishment section within five working days from the conclusion of the travel<sup>7</sup>.TA claim of a government servant shall fall due for payment on the date succeeding the date of completion of the journey. Such a claim should be made within 60 days of becoming it due failing which it shall be forfeited.

**1.5.4 Rate of reimbursement for TA, Hotels and food<sup>8</sup>**

**Table:1.6 Showing rate of various reimbursement**

<b>Pay level in pay matrix</b>	<b>Entitlement</b>
14 and above	Reimbursement for hotel accommodation/guest house of up to Rs. 7,500/- per day. Reimbursement of AC taxi charges as per actual expenditure commensurate with office engagements for travel within the city and Reimbursement of food bills not exceeding Rs. 1200/- per day
12 and 13	Reimbursement for hotel accommodation/guest house of up to Rs. 4,500/- per day. Reimbursement of AC taxi charges of up to 50 km per day for travel within the city. Reimbursement of food bills not exceeding Rs. 1000/- per day.
9 to 11	Reimbursement for hotel accommodation/guest house of up to Rs. 2,250/- per day. Reimbursement of non-AC taxi charges of up to Rs. 338/- per day for travel within the city. Reimbursement of food bills not exceeding Rs. 900/- per day.
6 to 8	Reimbursement for hotel accommodation/guest house of up to Rs. 750/- per day. Reimbursement of non-AC taxi charges of up to Rs. 225/- per day for travel within the city. Reimbursement of food bills not exceeding Rs. 800/- per day.
5 and below	Reimbursement for hotel accommodation/guest house of up to Rs. 450/- per day. Reimbursement of non-AC taxi charges of up to Rs. 113/- per day for travel within the city. Reimbursement of food bills not exceeding Rs. 500/- per day.

**Note**

- (i) **Reimbursement of hotel charges:-** For level 8 and below the amount of claim (up to the ceiling) may be paid without production of vouchers against self – certified claim only. The self-certified claim should clearly indicate the period of stay, name of dwelling, etc. Additionally, for stay in class “X” cities, the ceiling for all employees up to level 8 would be Rs. 1000/- per day, but it will only be in the form of reimbursement upon production of relevant vouchers.
- (ii) **Reimbursement of travelling charges:-** Similar to reimbursement of staying accommodation charges for all levels, the claim (up to the ceiling) may be

<sup>7</sup> OO No-16 dated 26 April 2019

<sup>8</sup> OM N0.19030/1/2017-E.tV dated 13 July 2017

paid without production of vouchers against self – certified claim only. The self – certified claim should clearly indicate the period of travel, vehicle number, etc. The ceiling for level II and below will further rise by 25% whenever DA increases by 50%. For journey on foot an allowance of Rs. 12 / per Km shall be payable additionally. This rate will further increase by 25% whenever DA increases by 50%.

- (iii) **Reimbursement of Food charges:-** There will be no separate reimbursement of food bills . Instead the lump sum amount payable will be as per the table above and depending on the length of absence from headquarters, would be regulated as per Table. Since the concept of reimbursement has been done away with, no vouchers will be required.

**Table: 1.7 showing time restriction for Reimbursement of Food Charges**

Length of absence	Amount payable
If absence of headquarters is <6 hours	30 percent of lump sum amount
If absence of headquarters is between 6 to 12 hours	70 percent of lump sum amount
If absence of headquarters is > 12 hours	100 percent of lump sum amount

### **1.5.5 Returning to Headquarter on week end etc.<sup>9</sup>**

Audit parties will come on every weekend / State Govt. Holidays from the following cities/towns and adjoining areas:

Bokaro, Gumla, Lohardaga, Ramgarh, Hazaribagh, Barhi, Jamshedpur.

Party member will check out the hotel on Saturday morning and will again check in on the morning of week days. No DA (food and conveyance) will be claimed by party on weekend and Holidays. These parties may stay in field if boarding / lodging of audit team is in circuit houses, Govt. guest houses etc.

For operational efficiency, if vehicle is provided by auditee unit for local official travels, no conveyance should be claimed by the party members.

### **1.5.6 Informing place of stay to Headquarters office<sup>10</sup>**

Supervising officer/ party in charge of the audit party, will send an e-mail (agaujharkhand@cag.gov.in)/ fax (0651-2412517,2413701) to the concerned wing about the detail of hotel i.e. Name of the hotel, address, working phone no./ Mobile no. of the hotel and room tariff in the enclosed format (overleaf) . this should be e-mailed/faxed on the same day and concerned sector will keep record of the same and will be sent to establishment section at the time of forwarding of TA claims.

### **1.5.7 Transit on Holidays<sup>11</sup>**

- (i) Weekend may be meant as Sunday.  
Transit to headquarter on Saturday evening and transit from headquarter on Monday morning may be allowed. Similarly, if holiday are prefixed or

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<sup>9</sup> O.O.No. Admn(Au)-VII-FRSR-Part-II/TA Rules-01-102 Date: 03.08.2012

<sup>10</sup> O.O.No. Admn(Au)-VII-FRSR-Part-II/TA Rules-01-102 Date: 03.08.2012

<sup>11</sup> O.O.No. Admn(Au)-VII-FRSR-Part-II/TA Rules-01-279 Date: 15.01.2013

suffixed , Transit on previous evening of holiday and morning of next working day may also be allowed.

- (ii) If State Govt. holidays for more than one day falls between working days transit on previous evening of holidays and transit on next working day may also be allowed.
- (iii) All the transit should be shown in the tour programs by AMG-II.

#### **1.5.8 Scrutiny of TA Bills in Head Office**

The headquarters section viz AMG-II (Hqr) section will check the final TA bills with the approved tour programmes of the inspection staff, their weekly diaries, and casual leave register maintained in the Head quarter section and record a certificate to that effect on the body of the office copies of the bills. In checking the bills, particular care will be taken to see that all previous advances taken by the persons concerned have been fully and correctly adjusted. This check will be done with reference to the TA register maintained in the section. After that, the TA bills will be entered in the TA bills register and put up to the Sr. Audit officer, AMG-II (Hqr), who after satisfying himself that the bills are prima facie in order, will endorse the certificate recorded on the office copy and also initial the register in token of having admitted the claim. The bills will then be forwarded to the Establishment section for final checking and passing.

While fixing the items to be completed during a month, only the holidays notified by Jharkhand Government will be taken into account. Any local holiday or closure of office due to other reasons will have to be similarly made good by the parties. On such occasions, the Audit Party may conduct the local audit as usual with special arrangement with the local officer concerned, so that there may be no loss of working days of the Audit party due to such local holidays. Otherwise, such loss of working days will have to be pulled up by the parties by curtailment of time in future audits or by working extra hours on the other working days during the existing audits.

#### **1.5.9 Debit of Casual Leave, Short Spells of Earned Leave and Local Holidays to the Time Allotted for Audit**

With a view to prevent accumulation of arrears in the field audit the loss of working days due to staff proceeding on the casual leave or short spells of earned leave, say up to Seven days, will be on the account of the parties and they will be responsible to pull up this arrear. One day loss due to such causes should be made good by the Audit Party within a week time, but all losses up to seven days must be made up within a month.

#### **1.5.10 Applicability of O.P. Manual etc.**

In matters relating to attendance, holidays, leave conduct of Govt. servants, disposal of cases and submission of papers to superior officers, the rules and procedures prescribed in the O.P. Manual and order of general application in other manuals of the Accountant General's office apply to the staff of AMG-II except to the extent this manual specifically authorises variations from those orders.



**CHAPTER-02**

**Duties and Power**

**Duties, Powers and Responsibilities of the Deputy Accountant General /Sr. Deputy Accountant General Audit Management Group-II**

**(A) Duties**

2.1(a)(i) The Deputy Accountant General/Sr. Deputy Accountant General, AMG-II shall be responsible to the Accountant General for the smooth working and general efficiency of the group. The important duties include;

- i. General administration of the group.
- ii. Scrutiny , approval and issue of Inspection Reports
- iii. Scrutiny and approval of potential draft paras and paragraph proposing incorporation of the same in the Audit Report before submission to the Accountant General (Audit) for final approval,
- iv. Scrutiny and approval of the materials for the Digest of important and interesting cases,
- v. Scrutiny and approval of the draft Audit comments submitted by the Assistant Audit Officers and Inspecting officers, before submission to the Accountant General (Audit),
- vi. Disposal of letters and unofficial reference from Govt. or the Comptroller and Auditor General of India and other important correspondence relating to rules and procedure of audit etc. under the approval of the Accountant General where necessary as well as disposal of any reference from the Inspecting officers.
- vii. Supervision of the important items of audit of AMG-II.
- viii. Any others works/duties entrusted by the AG (Audit) as and when deemed fit by him.
- ix. Reporting and reviewing of APAR of the concerned officers and staff of the wing

**Note: I.** The local audit of entertainment and other allowances of the Governor should be arranged to be supervised by the Sr.DAG/DAG (AMG-II). All preliminary objection memos should be issued over the signature of the Sr.DAG/DAG(AMG-II) to ensure that frivolous and petty objections are avoided.

(CAG's confidential letter no. 939/Administration I/621-56 (II) 28/2/1962)

**Note: II** It has been decided by the C.A.G. of India that Deputy Accountant General/Sr. Deputy Accountant General (AMG-II) should go on an average minimum of 10 days of field inspection in a month (including days of transits, if any) i.e. 120 days in a year.

(CAG's letter No. 103-Audit (AP)/236-95 dated 25.06.2007)

**Note: III** It has been directed by the CAG that surprise inspections of audit parties in the field at the level of group officers should be more frequent and the staff in the audit parties should be required to maintain diaries indicating details of work done on each day which should be scrutinized in detail at the Headquarters section and submitted to the supervisory officers.

**Note: IV** The DAG/Sr. DAG, AMG-II should prepare a list of auditable units on the basis of expenditure of each auditable unit, irregularities noticed in previous inspection reports and assessment of other risk factors involved. He/She should submit

proposed monthly tour programme one week in advance for inspecting high risk auditable units only and spend at least 3-4 days in each such selected units. Proposed tour programme should include inspecting Group Officer's assessment of risk in respect of proposed auditable units to be inspected and what the Group Officer has intended to examine by him/her.

This is important to minimize audit risk in respect of high risk auditable units and to obtain better audit outcome. Within three days from completion of inspection, Group Officers should submit a tour note indicating result of their inspection. This tour note should not include routine things like pursued replies from management, discussed with management and the like.

[Order of AG circulated vide diary No-759 dated 21/12/2016]

Any cases of remissions in the performance of duties or unauthorized absence of duty during the course of inspection should be mentioned in the confidential report of the officers and staff. If any member of the inspection party applies for leave during the course of inspection for sudden and unforeseen reasons, approval to the grant of leave should be obtained from the Headquarters telephonically on the date of the leave applied for.

(CAG's circular letter no. 766-TA-I/137-80 dt. 16/8/80 published in Audit-Bulletin of September 1980).

- (i.) When an inspection discloses a defalcation or some serious financial irregularities, the full fact needs to be brought in the notice of the Accountant General,(Audit) and if necessary, visit to the station personally with a view to supervise and guide the staff to conduct a successful audit also be ensured.
- (ii.) Report of heavy losses, defalcations and other serious irregularities discovered during audit should be sent confidentially to the state govt. in advance of the Inspection Reports, over the signature of the D.A.G./Sr. DAG (AMG-II).
- (iii.) He/She shall bring to the notice of A.G. any other important matter relating to the AMG-II with his suggestion thereon.
- (iv.) The Covering letter forwarding the Inspection Reports to the Department of State Government shall be initialed by him or by Sr.AO followed by his authorisation.
- (v.) All registers of the Headquarters sections shall be reviewed by him according to the time table indicated in calendar of Returns so that all kinds of irregularities may come to his/her notice and suitable remedial measures could be taken.

**(B) Powers of Deputy Accountant General, AMG-II**

2.2 (a) (i) He may sanction casual leave to the Branch officers working under him.

(ii) He may grant extension of time for individual items of audit to any extent as justified by exigency of the case.

**2.2 (b) Power of Audit to Waive Recoveries**

**A. Recoveries on account of expenditure held to be irregular**

In order to avoid unnecessary wastage of time and labour on cases that are simple and unimportant in character, the State and UT Governments have agreed to exercise, on their behalf, by Sr. Audit Officers of the following powers of waiver which may not be delegated to subordinate officers:

- (i) The officer of the rank indicated below or equivalent may waive the recovery of irregular expenditure not exceeding the amount specified against each in any individual case:

Accountant General	Rs. 500/-
Sr. Dy. Accountant. General	Rs. 200/-
Dy. Accountant General	Rs. 150/-
Other gazetted officers(Sr.AO/AAO)	Rs.50/-

**Note :** If the irregularity is such that it is likely to re-occur, the govt. servant responsible should be told that the expenditure was irregular even if no recovery is made.

- (ii) Certain expenditure is placed under objection not because the whole or any portion thereof cannot be justified by itself but because it is not strictly covered by any rule, or the authority for incurring the expenditure insufficient or full proof such as is afforded by sub-vouchers to establish that it has been incurred, has not been produced. In such cases, the Accountant General or the officers subordinate to him may waive recoveries up to the limit indicated below if the following conditions are fulfilled:

Accountant General	Rs. 1000/-
Sr. Dy. Accountant. General	Rs. 400/-
Dy. Accountant General	Rs. 200/-
Other gazetted officers	Rs. 150/-
Assistant Audit Officers	Rs. 50/-

(a) The expenditure must not be of recurring nature.

(b) Where the objection is based on insufficiency of the sanction, the Sr. Audit Officer should be satisfied that the authority empowered to sanction the expenditure would do so if requested.

(c) Where the objection relates to non-availability of sufficient proof of payment, the Sr. Audit officer must be satisfied that it would be unnecessarily troublesome if submission of complete proof were to be insisted upon and must also see no reason to doubt that the charge has actually been paid.

- (iii) Where expenditure under objection has for any reason, become irrecoverable, an Audit officer of the rank indicated below or equivalent may write off an amount not exceeding the amount specified against each in any individual case:

Accountant General	Rs. 1000/-
Sr. Dy. Accountant. General	Rs. 400/-
Dy. Accountant General	Rs. 300/-
Other gazetted officers(Sr.AO /AAO)	Rs. 100/-

**Note:** The powers conferred upon Sr. Audit Officers in terms of these provisions should not be exercised in respect of objections not based on their audit, such as bills received by them and forwarded to another office for audit, or in respect of any amount outstanding under a debt or deposit head. These powers may, however, be exercised in respect of overpayments from or amounts due to be refunded to the Provident Fund Accounts of individual subscribers established as irrecoverable.

[Para 7.1.16 of MSO (A) 2<sup>nd</sup> edition 2002]

**B. Recoveries relating to Personal Claims**

The following guidelines should be kept in view in dealing with recoveries relating to personal claims of government servants:

(i) Before insisting on the recovery of irregular or excessive payments of personal claims placed under objection after the lapse of more than a year after their actual disbursement, the Accountant General should, subject to the provisions of sub-paragraph (ii) below, refer the matter for the orders of the Government concerned. If Government decides to waive the recovery and the Accountant General is satisfied with the decision, he will withdraw the objection. Otherwise, the circumstances of the case may be reported to the Legislature through the Audit Report.

Note(1) The power of accepting the orders of govt. in such cases is vested in Accountant General personally except in cases where the amount involved is Rs. 1000/- or less in which cases, the Senior Deputy Accountant General/Deputy Accountant General may accept the waiving order up to the limit of Rs. 1000/ Rs.500 in each case. These powers should not, however, be delegated to subordinate officers.

Note (2) All cases in which the orders of govt. to waive recoveries due without further action have been accepted should be recorded in a register, which should be reviewed by the Accountant General at such intervals as may be considered by him suitable, but at least once in a year. The register should invariably show, inter alias,(i) how the overpayments occurred in each case,(ii) the rules that were contravened (iii) the extent of responsibility of the drawing and disbursing officers on the one hand and to the Sr. Audit officer on the other,(iv) the reasons given by govt. for waiving the recovery,(v) the grounds on which Accountant General, Sr. Dy. Accountant General or Dy. Accountant General accepted the govt. orders, and (vi) the remedial measures if any, taken to prevent the recurrence of such cases.

2(b) The Union and the State Govts. have, however, agreed that in respect of cases of the type referred to in (a) above the Accountant General and other Sr. Audit officers may forego recovery on their behalf, if the amount involved does not exceed the limits indicated below and if they are satisfied that the amount held under objection was drawn by the govt. servant concerned under a reasonable belief that he was entitled to it:-

Accountant General	Rs. 800/-
Sr. Dy. Accountant. General	Rs. 500/-
Dy. Accountant General	Rs. 300/-
Other gazetted officers(Sr.AO /AAO)	Rs. 50/-

**C. Recovery in Other Cases**

The provisions of sub-paragraphs (A) and (B) above apply *mutatis mutandis* to overpayments discovered during local audits and to non-recovery of govt. dues the recovery of which is to be watched by Audit.

[ vide paragraph 7.1.17 and 7.1.18 of the M.S.O. (A) 2<sup>nd</sup> edition 2002]

**Note:** Sr.Audit officers should not exercise their powers in respect of transactions of Central govt. and Union Territories whose accounts have been departmentalised.

[Note below paragraph 7.1. 5 of M.S.O.(A), 2<sup>nd</sup> edition 2002]

**Duties and Powers of the Sr. Audit Officer at the Headquarters**

**(A) Duties**

2.3 The Senior Audit Officers at the Headquarters shall primarily be responsible for all routine matters relating to sections under his/her charge.

2.4 During the absence of DAG/Sr. DAG (AMG-II) on tour or other wise, the Sr. Audit Officer shall be directly responsible to the Accountant General (Audit) for the smooth running of the section under he/her charge unless alternative arrangements for looking after the charge by another Group Officer is made and shall promptly bring to the notice of the AG all important developments relating to the AMG-II with suitable suggestions.

**(B) Powers**

2.5 The Branch Officer of respective section of AMG-II have the power to sanction casual leave to the staff working under the respective section up to a maximum of 5 and that to the AAOs for 3 days at a time.

(vide Comptroller And Auditor General circular No. 44/N.G.E/2000 No. 1046-N.G.E.(APP)/96-97 dated 12.10.2000)

2.6 During the absence of the DAG/Sr.DAG (AMG-II) on tour, unless alternative arrangement for looking after the charge by other Group officer is made, all important works requiring the exercises of his (DAG's) powers shall be managed by the Sr. Audit officers at the Headquarters by obtaining A.G.'s approval, and the minor matters may either be left over or disposed of by them in anticipation of DAG's approval on return. Such matters disposed of by the Sr. Audit officers at the Headquarters during the DAG's absence on tour should be brought to his/her notice immediately, on return.

**(C) Responsibility of the Inspecting officer**

2.7 The duties and responsibilities assigned to the Inspecting Officer according to the provisions envisaged in para 6.1.8.of section (VI) of MSO (Audit) are sufficiently exhaustive. Besides performing the co- coordinating function to achieve overall efficiency in performance and seeing that necessary process of audit of the various documents have been carried out by the staff under him, the inspecting officer will also do a certain amount of original work; examine personally with reference to original document and important points raised by the staff. The Inspecting Officer must acquaint himself with the system of finance of any institution, the accounts of which they are inspecting what makes up its receipts and how its money is expended. He must then decide roughly what system of accounts is necessary for purpose of internal check and how far the existing system confirms to this standard. This is the elementary and primary responsibility of the supervising officer to be discharged, at whatever scope he comes in on the Inspection. An Inspecting officer, if responsible for audit of receipts should make it his duty to so correlate all accounts documents, that he may direct his staff to check that all money due is received and all money received is brought to account.

(CAG's letter no. T-962 Admn/74-40 dt 23.9.1940)

2.8 Inspecting officers are expected-(i) to guide their staff (ii) to do a certain amount of original work, and (iii) to examine personally with reference to initial documents, all important points raised by their staff.

2.9. The Inspecting officer should try to get all the facts and explanation on the spot wherever satisfactory explanation is not forthcoming and if Inspecting officer feels that the points raised by him are so important that they may ultimately find a place in the Audit



Report to be submitted to the legislature, he or the AAO should take particular care to clinch all issues involved, to collect all relevant information and also to obtain attested/Xeroxed copies of those documents/records which are likely to be useful in persuading the matter to the higher authorities.

(CAG's D.O. No. 1307/Admn-I/388-55 Dt. 24/9/55. No. 971-Tech-Admn. II/131-68, dated 2/5/1968).

2.10 The original work carried out by the Inspecting officer during local audit, should be independent of and in addition to the examination conducted by the staff. The lines on which the work should be done are stated below. These are indicated only for guidance and are not intended to falter the discretion of the Inspecting officer in case he finds extensive verification are required. He may conduct the checks in respect of the months selected for audit or for any other periods as he considers necessary.

- (1) **Payment:** The cash books and vouchers, since last inspection, should be generally reviewed and any large unusual payments and receipts should be looked into. It should be seen that proper arrangements have been made for the withdrawal of funds and their safe custody.
- (2) **Receipts:** It should be seen that adequate regulations and procedure have been framed to secure an effective check on the assessment, collection and proper accounting and such regulation are followed. It should be seen that there is no undue delay in remittance of money into the treasury as laid down in the treasury rules.
- (3) **Check of cash Book:** Transactions upto one week or of such period as is deemed fit by him, should be checked.
- (4) **Stores**
  - (i) The system of acquisition of stores and their custody, and the system of indenting and issue of materials should be examined to ensure that all rules prescribed are followed and adequate safeguards are provided against unauthorised issues. In respect of large purchases, the quotations, tenders and agreements should be examined.
  - (ii) Entries of a day in the stock register should be examined with reference to supporting documents.
  - (iii) Stock verification report should be examined and it should be seen that adequate action has been taken in respect of heavy shortage or other defects. It should be seen that there are no large and unnecessary accumulation of stores. Instances of balances not operated for a long time should be commented upon where necessary.
  - (iv) It should also be seen whether adequate action for disposal of dead/unserviceable stock was taken.
- (5) **General:** All the books of accounts should generally be reviewed, a few entries may be test checked, where considered necessary.
- (6) **Jail:** During the audit of jail accounts attention should be paid to the statements of jail manufacture, and fixation of selling prices of articles manufactured, purchase and issue of dietary and other articles and accounts of jail products such as dairy, poultry, garden produce etc.
- (7) **Hospitals:** The tenders for purchase and issue of dietary article and medicines, the procedure for payment of diet charges, arrangements for collection of money and accounting should be examined. A day's entries from the important register should be examined with reference to the connected documents and registers to see that charges are correctly recovered.

2.11 The Inspecting officer who supervises inspection and edits the Inspection Report should also prepare draft paragraph for the Audit Report in respect of all important financial

irregularities covered by the Inspection Reports. The draft paragraphs should be forwarded to the Headquarters section, along with Draft Inspection Reports for further action thereon.

(vide O.O.no.OADG) Misc.78, dt 18.10.57)

2.12 The supervising officer will also discuss with the Head of the office all important objections of the current audit as well as the outstanding objections of the previous Inspection Reports and endeavour to settle as many of them as possible.

2.13 The Inspecting officer shall write out the report himself and should not leave it to its subordinates to do the drafting. This is necessary in order to enable the Inspecting officer to apply his mind actively to everything mentioned in the report. This is also calculated to ensure the accuracy of the facts stated, the cogency of the arguments applied and moderation in and preciseness of the language used.

(Auth: CAG's confidential D.O. letter no. 307 Admn I/338-55, dated the 24th June, 1955 and confidential D.O. letter no. 388, Admn. I/55 dated 9/12/1955-circulated with the secret O.O. No. 1950 of 13/ 1/56).

Note: The Inspecting officers are directed to submit duly ranked DIR along with soft copy to AMG-II (Hqrs) section within seven days from the date of conclusion of audit.

2.14 In order to improve the position regarding issue of Inspection Reports the field parties are hereby, directed to adopt the following procedures in drafting and sending the Inspection Reports to the Headquarters.

- (i) The Draft Inspection Reports of the office, when audit is fully supervised by the Sr. Audit officer, should be drafted by the Sr. Audit Officers themselves. In case where no supervision or partial supervision is provided the DIRs will be drafted by the AAO concerned holding the charge of the party in a similar manner. It may also be ensured that all Annexures to the DIRs are prepared in triplicate.
- (ii) It should be as concise as possible. The objection raised should be clear and supported by exhaustive facts and key documents. Only important objections may be included in the DIR. Also the procedural irregularities in respect of which the head of the office has held out assurances about following correct procedure in future should be issued as Test Audit Note.
- (iii) The audit team must ensure that the objection memos issued to the Drawing and Disbursing officer are received back in original with suitable replies with dated initial and duly stamped. The discussion sheet with the Head of the offices on the closing date of audit should be attached with the DIR.

(Authority:-O.O.No.OAD(M)124/87-88/100 dated 10/12/1987)

(Guidance Note issued by AG dated 05.01.2018)

2.15 In cases where supervision of Sr. Audit Officer is not provided or provided only during the first few days of audit, the Assistant Audit Officer in charge of the Audit Party should draft the DIR on the basis of the objection memos issued and replies received and also discuss the Draft Inspection Report with the head of the office, before leaving the office of inspection. The report should later on be forwarded to the Inspecting officer for editing, who will carefully edit the draft Inspection Reports submitted by the AAO and forward the same to the Headquarter section as early as possible within the due date of submission of DIR. The Inspecting officer should take particular care to see that the Draft Inspection Reports are properly drawn up in accordance with the general instructions contained in chapter-5 of this manual and that there is nothing there which may afford grounds for complaints from the local officials in regard to their tone or substance.

DIR in respect of an audit which is supervised by the Inspecting Officer at the closing stage must invariably be drafted by the Inspecting Officer.

(O.O.No.OAD(M)-124-81-82-24dated 23.7.81)

2.16 While forwarding DIRs to the Hqrs. office, the Inspecting Officer and AAO will ensure that (i) the DIR is duly drafted (ii) the cases placed under Sec "A" of the DIR are of major financial irregularities and the corresponding evidence against each are attached in the report (iii) the audit findings are arranged in descending order of materiality and significance (iv) the DIR contains (a) objection memos duly replied and signed by the concerned DDO (b) list of treasury verification ( both of withdrawals and remittances) (c) discussion sheet containing initials of the DDO in token of discussion made with him over all objection memos and (d) the review sheet of paragraphs of old IRs awaiting settlement (e) Annexures (annexures II A to F) duly filled in and signed by the inspecting officer.

(Guidance Note of A.G. dated 5.1.18 and Guidance Note of DG (PPG) No. 226-09-PPG/2017 dt 22.08.2017)

2.17 The Inspecting Officer shall submit a monthly tour diary to the DAG/Sr.DAG (AMG-II) through AMG-II Hqrs Section It shall contain-

- i. the names of auditee units, the audit of which was supervised by him showing the spell of time covered against each
- ii. the brief description of those paras of the DIRs likely to be developed as Draft Paras
- iii. any other important matter felt necessary to bring to the notice of the DAG/Sr.DAG(AMG-II)
- iv. any abnormal feature of difficulties of the Audit staff under his supervision, which he considers fit to be brought to the notice of the DAG./Sr. DAG (AMG-II).

### **Demarcation of Duties for Personnel in Inspection Parties (after Restructuring of Cadres in IA&AD**

2.18 Following is a broad outline of responsibilities and duties of various categories of personnel in civil Audit offices. The Audit officer incharge of the inspection party is not however precluded from making certain changes by him in writing in the distribution suggested keeping in view the suitability of the individual official for the type of work in hand.

#### **(A) Sr. Audit Officer**

Duties and responsibilities presently assigned are not only important but also sufficiently exhaustive. Further the Inspecting Sr. Audit Officer has to perform the co-coordinating functions to achieve overall efficiency in performance. Keeping this aspect in view the AAO and auditors shall ensure their full co-operation to the Inspecting Officer to achieve the same.

#### **(B) Assistant Audit Officer**

- i. Audit of the accounts of receipts and expenditure
- ii. Audit of the accounts of stores
- iii. Examination of the cash Book and subsidiary cash books
- iv. Examination of vouchers for the months selected for test check which were submitted by Central Audit and made available to the party by the headquarters with original records, contract documents etc.
- v. Audit of all vouchers not submitted by Central Audit.

- vi. Verification of drawals and deposits in the Treasury with reference to treasury records.
- vii. Examination of the special points marked for special investigation by central audit.
- viii. Audit of works expenditure.
- ix. Scrutiny of accounts of stores, equipments etc. received under various foreign aid programme.
- x. Examination of Departmental inspection reports and
- xi. Any other works as and when asked by the inspecting officer.

**(C) Sr. Auditor/Auditor**

- i. Examination of service books, service Rolls, broad sheets and ledgers in respect of PF accounts of group "D" staff etc.
- ii. Obtaining files containing important rules/orders issued by Govt. in respect of the institution under local audit and matters dealt with by it with a view to study them and also take notes from the Dictionary of References maintained.
- iii. Check of disposal of previous Inspection Reports.
- iv. Audit (triennial) of taqavi accounts,
- v. Audit of expenditure incurred by state govt. in connection with large gathering of political organisation.
- vi. Scrutiny of establishment Pay Bills
- vii. Audit of TA Bills.
- viii. Examination of register of undisbursed pay and allowance,
- ix. Scrutiny of register of advances
- x. Examination of accounts of immovable properties like land, buildings and other assets.
- xi. Audit of payment of Provisional pension.
- xii. Any other works as and when asked by the AAO/ Sr. AO(I)
- xiii. Scrutiny of Dead stock register,
- xiv. Examination of Register of empties
- xv. Examination of Stamp Account.
- xvi. Scrutiny of Register of Deposits.
- xvii. Examination of Log Books and diaries of govt. vehicles.
- xviii. Scrutiny of Register of stationary,
- xix. Examination of Register of uniforms,
- xx. Scrutiny of Register of Books and periodicals.
- xxi. Scrutiny of P.F. Accounts of Group "D" employees.
- xxii. Any other works asked by the AAO or Inspecting Officer

2. The structure of the civil audit parties may be comprised consisting of an Inspecting Officer, two AAOs/Supervisors and one Auditor /Sr. Auditor. However it may vary as per the prevailing administrative convenience.



**CHAPTER – 03**

**General Rules and Procedures for the Head Office**

3.1 AMG-II (Hqr) is the controlling section and exercises overall control and monitoring over the working of AMG-II including field parties.

Its main functions are:-

- a) Preparation of annual audit plan.
- b) to prepare tour programmes for the Inspection parties/Audit parties
- c) to issue letters for audit intimations to the concerned auditee units
- d) To coordinate with field audit parties in terms of conveying important orders, directions etc. besides providing inter-sectional link.
- e) to examine weekly diaries of field party and submit to Branch Officer/Group Officer and to keep watch on their prompt receipt
- f) to examine the T.A. bills of field audit parties with reference to diaries of the respective parties and approved tour programme of audit before transmitting to Estt. Section.
- g) to forward copies of all important orders, circulars etc. to all field parties
- h) to keep AMG-II Manual up to date
- i) to deal with all general questions relating to AMG-II .
- j) to maintain Calendar of Returns and to submit the same on due dates to the competent authority.

**Records and Registers Maintained in the Head Quarters Section**

3.2. Details of records and registers maintained in the headquarter sections of the AMG-II will be available in the Calendar of Returns of the respective sections. The said registers should be examined by the Assistant Audit officers concerned and also should be put up to Branch officer/Group officer on the due dates as mentioned in the Calendar of Returns. This should be put up essentially to the Group officer half yearly and to the AG/PAG (Audit) annually for the review.

**Distribution of Work among the Senior Auditors/Auditors/Clerk in the Head Quarters Sections**

3.3 A statement showing the detailed distribution of work among the Sr. Auditors/auditors/clerk in the Headquarters section should be maintained in the respective section. The allocation of work shown therein should be formally communicated to the Sr. Auditor/Auditor/ Clerk concerned and his/her signature should be obtained in the office copy. Any subsequent change in the distribution of work should be approved by the DAG (AMG-II ), and formally communicated to the person concerned in the same manner.

**Permanent Programme Register (PPR)**

3.4 This register should contain a complete list of auditee units, the audit of which is to be done by the AMG-II with their periodicity and time allotted in terms of an Audit Party as approved by the Accountant General (Audit). Whenever under the orders of a competent authority, any new auditee unit is added, or any existing items is deleted or its periodicity altered, necessary addition or correction should at once be made in the Register, quoting full reference of the relevant orders, under the dated initials of the Sr. Audit officer/ AMG-II / Headquarters or by the Assistant Audit officer, AMG-II / Headquarters on his behalf. As this

register is designed to serve as a permanent record of the department, it should be neatly maintained, in a bound volume containing sufficient number of folios of good quality preferably ruled and submitted to the group officer quarterly.

3.5 The permanent programme register should be maintained in the form given below. Col.8 will be filled in on receipt of the DIR from the Assistant Audit officer/section officer of the field parties.

1. SI. No.
2. Name of Government Department.
3. Name of A/C.
4. Drawing and Disbursing Officer.
5. Location of Auditee office.
6. Periodicity of Audit.
7. No. of days allowed.
8. Details of audit conducted:-

No. of days allowed for each audit	Period of A/c covered in audit	No. of IR and year	Date of receipt of DIR	Date of despatch of IR	Remarks, if any

**3.6 Programme:-**The programme of local Inspection is required to be drawn on the basis of annual audit forecast. Programmes for field parties and supervision by Audit officers may be drawn in advance for every quarter and submitted to Deputy Accountant General/Sr. Deputy Accountant General (AMG-II ) for approval.

**3.7 Provision of transit days: -** The programme should be drawn up in the most economical manner so as to ensure maximum output whether a particular holiday should be marked as transit is a matter to be decided by the AG/Dy. AG in his discretion after taking into consideration the importance of the holiday and the convenience of the administration as well as of the staff.

(C. & A. G.'s D.O. letter no. 2396-Admn. I/528-62 date 11.9.62)

### **Intimation of Audit**

3.8 Before an audit is taken up, intimation thereof should be sent by the Assistant Audit officer to the head of the office concerned. This intimation should be sent at least 14 days in advance so as to enable the local office to get ready for the audit in time or seek postponement in case some unavoidable circumstances warrant this course.

3.9 The audit intimation should invariably contain a request to the effect that the head of the office or any other officer representing him/her should be present during the period of audit and especially on the closing date so that he/she may be able to discuss the objection memos.

### **Preparation of Audit Programmes**

3.10 The man days allowed for each audit party has to be fixed after taking into consideration the quantum of work in audit and past experience in the same audit as well as addition, if any to be done during local audit. Audit personnel are expected to strictly adhere

to the same. However, in case of any unforeseen circumstances, a request for extension should be made to AMG-II (Hqr) beforehand with a view to obtaining the sanction of Sr. Deputy Accountant General (AMG-II).

A copy of the approved tour programme should be supplied to the respective auditee unit and Inspection Party in time, so that there is no wastage of time in waiting for them. If there be occasion for any subsequent amendment, that should be communicated to the party concerned in time.

### **Revision of Tour Programme**

3.11 (a) When occasions necessitating the revision of tour programme arise, the Headquarters section will concede to the requests for revision only in genuine cases; but in that case too, the field parties must obtain prior approval of Group Officer. The request for the revision must also invariably reach the Head quarter within two days from which the change in the approved programme is intended to be effected.

(Authority: O.O.No.OAD (M)-124/84-85/25 dt. 14.6.84)

3.11 (b) Generally proposal for revision in the approved tour programmes by the field audit parties will not be accepted in the Headquarters. But if due to some unavoidable circumstances audit of an office, as per approved tour programme, is not possible, in that case, the members of audit party will have to report in the Headquarters immediately, or they may take up audit of the account records of next item of the approved tour programme and intimation to that effect along with the documentary evidence of the circumstances under which the audit of that particular item could not be materialised should be sent through the concerned party incharge to the Group Officer immediately for approval.

3.11 (c) Those Inspecting officers who have been provided with two or more field audit parties for supervision, they may in the above circumstances (as stated in sub-para-(c) above) change their supervision from that audit party to another audit party and it will be necessary for them also to intimate the Group Officer immediately for approval.

(Authority: O.O. No. OAD (M) - 34 dated 2.7.92).

3.12 Audit of contingent expenditure and allied matters in respect of the offices coming under the purview of Revenue Audit Branch viz. Income Tax, Central Excise & Custom, Sales Tax etc. is presently conducted by the respective Revenue Audit wing. Separate inspection reports should be drawn up for expenditure as well as revenue audit and draft inspection report of expenditure audit should be sent to AMG-II vetting sections (vetting I & vetting II) for vetting and other necessary work within seven days from the date of completion of such audit.

### **Tour Programme of the Supervising Officers**

3.13 The programme should be prepared for supervision of only such items of audit which are either in progress, or are to be taken up during the month, in accordance with their normal sequence in the party's audit programme. But in doing so, every endeavour should be made to see that

- (i) All new items of the audits taken up by the audit parties (except the minor and unimportant ones) are supervised as far as practicable;
- (ii) All important audits are adequately supervised, either in one or more spells;

- (iii) the supervision is done as far as practicable, towards the close of audit in order to enable to settle all important points and discuss the draft Inspection Report with the head of the office : and
- (iv) The cost of T.A. is not unnecessarily increased.

### **Co-ordination with the Department and Central/Performance Audit Section**

3.14 The Local Audit supplements Financial Audit and as such it is necessary that the work of Audit should be reviewed as a whole and not in separate compartment. The FINAT sections should, therefore, keep a vigilant eye over the transactions which come under their audit and should not hesitate to bring those to the notice of the other audit wings, which in their opinion require further examination at local inspections. Besides the individual transactions, it may at times be considered necessary, in view of the heavy expenditure or imperfect control exercised by the disbursing and controlling officers or again as a result of general extravagance in a particular office or department that the accounts of that office should be locally examined. In such cases, the audit report of FINAT sections should be forwarded to the Deputy Accountant General (AMG-II ) or in his absence, to Audit officer at the Headquarters.

3.15 In order to be able to keep an effective watch over such cases as detailed under para 3.14, AMG-II (Hqr) Section will maintain a suitable "Register of Points for Local Audit" in which all points meant for local audit should be kept in sufficient details.

3.16 The Performance Audit Section will also suggest for local investigation of (i) cases of such points which come to their notice in the course of Sanction audit, (ii) Scrutiny of expenditure from an efficiency audit point of view and (iii) examination of schemes which shall not be satisfactorily tackled in the main office. The Performance Audit section will suggest such cases with the approval of the Accountant General (Audit). Each point referred to an audit party should be noted on separate sheets so that after the local investigation is completed, separate case files may be started for each. The result of such investigations should be intimated to the Performance Audit section.

3.17 The important irregularities noticed in departmental accounts with respect to the accounts of the department falling under the audit purview of AMG-II during the local audits should also be brought into the notice of group officer of AMG-II wing for taking up appropriate action at the level of higher authorities, so that the action may be adequate and effective.

3.18 With a view to ensuring quick disposal of Inspection Reports it has been ordered by the Accountant General (Audit) that whenever an Inspection Report is received by AMG-II (Hqr) Section from the AMG-II field parties, for comments or opinion, it should be diarised in the sectional Diary Register and its disposal watched accordingly.

( O.O. No. 1457 (O.A.D.) dated 18.1.54).

3.19 Except in purely routine matters (e.g. obtaining information etc.) no case should be referred by the AMG-II Sections to other sections, without obtaining the orders of Branch officer who will satisfy himself that the course is essential and that steps have been taken to prevent any avoidable delay.

### **Vetting and Issue of the Inspection Report**

3.20 The draft inspection reports submitted by audit parties to the headquarters are vetted in the respective vetting section of AMG-II wing, followed by approval of the said draft IR



by the DAG/Sr. DAG (AMG-II ), it takes the shape of the Inspection Report and issued from respective vetting section within 30 days of conclusion of Audit.

1. **Vetting Section Level:** Should ensure that DIRs contain certificate of the party-in-charge regarding Fraud and Corruption cases in the prescribed Performa.
2. Cases related to Suspected/Presumptive Fraud and Corruption should be highlighted in the IRs. All such cases should be printed in '**Bold Type**'.
3. All cases of Suspected/Presumptive Fraud and Corruption should be entered in the Objection Book.
4. A separate register should be maintained for recording cases of Fraud and Corruption. The cases should be followed up vigorously with concerned audited entity and significant cases should be followed up with Secretary of the Department. The register should be put up to Group Officer monthly and to the Accountant General (Audit) half-yearly.
5. Reports of individual cases with regard to the fraud and corruptions, in the first instance, should be confidentially addressed to the Controlling Authority with the approval of Group Officer. More serious cases should also be confidentially addressed to the Secretary of the Administrative Department concerned and the investigative authorities like Centre/State Vigilance Commission, Lok Ayukta etc, as applicable, either over the signature of Accountant General (Audit) or with his/her approval.
6. Half-yearly return of such cases to be submitted to the controlling section for compliance and onward transmission to Headquarters' office with the approval of Accountant General (Audit).
7. While vetting the DIRs, it should be ensured that the term Fraud or Corruption may not be used in a conclusive sense unless such action may be established in a Court of Law.
8. Since the register is to be put up to Group Officer monthly and to Accountant General (Audit) half-yearly, suitable entry should be made in the Calendar of Returns.
9. Detailed list of important cases of Suspected Fraud and Corruption should be prepared annually for sending them to respective Secretary of the Department by Accountant General.

[vide O.O.No.OAD(M)-F&C-49 dated 16.01.2007 ]

10. At vetting level it should be ensured that the Draft Inspection Report of compliance audit submitted by the Field Audit Party are in consonance with the formats prescribed for the purpose under para 6.4 and 6.5 of the Compliance Audit Guidelines, Edition, 2016.
11. The vetting section should arrange the duly vetted Inspection Report with all its records preferably in the following order before the same is placed before Group Officer for approval

**From top to bottom:-**

1. Vetting Sheet
2. Check list of documents
3. DIR/Typed copies of the DIR.

4. Annexure, if any
5. Matrix for Grading of DIR
6. Compliance Audit Design Matrix
7. Finding Audit Matrix
8. Audit Notes/Exit conference
9. Requisition
10. Duty list
11. Selection of memo/selection of detail months
12. Entry conference
13. Title sheet
14. Certificate of Assurance
15. Daily Diary
16. Original memo with initial replies
17. Treasury Verification
18. Sanctioned Strength/PIP.
19. Certificate received from the Auditee
20. List of Service books
21. Statement of Allotment & Expenditure
22. Key Documents.

3.21 The Inspection Reports should be issued within one month from the date of completion of the Inspection.

(Authority: C.A.G's letter No. 1895-Admn. III/280-60 dated 20.9.60).

Any departure from this time schedule should be brought to the notice of the Deputy Accountant General and his orders need to be obtained. It is also emphasized that wherever Inspection Reports are not issued within one month of the completion of audit the same should invariably be shown in the status of work report of the concerned AMG-II Section as internal arrears.

3.21 (A)

- I. The vetting process should ensure that every finding is supported by sufficient and appropriate evidence (Key Documents) and conclusions reached should be appropriate in the circumstances.
  - i. It has to be ensured whether the IR paras have been categorized appropriately as Part II A and Part II B paras respectively. An illustrative list of paras that should be categorized in Part II A and Part II B are provided as Annexure III.
  - ii. While seeking approval of the Group Officer for issuing the inspection Report, a judgment of the persistent irregularities that need to be brought to the notice of the Executive through a 'Department Appreciation Note' needs to be taken. Accordingly, a 'Department Appreciation Note' may be issued to the respective Principal Secretary by the PAG/DG/AG/PD as envisaged in the Compliance Auditing Guidelines.
  - iii. Nil IRs: In order to maintain the deterrent value of audit, some low risk entities may have to be audited and in such cases 'nil' reports may have to be issued. However, it has to be ensured that the requisite process rigour has been adhered to. All cases of 'nil' reports should be well documented, logically borne out and should be issued only after prior approval of the PAG/DG/AG/PD of the field office.

3.22 All field parties are required to submit a hard copy of DIR indicating rank of the proposed IR para along with its soft copy to AMG-II (Hqr) section within 7 days from the date of conclusion of audit. Undue delay in submission of DIR would be dealt with seriously. Printed copy of DIR should be compared with manuscript before submission. All requisite Pro forma such as computerization in auditee units and Assurance certificate for fraud and defalcation etc. and relevant key documents of all important paras should be attached in the DIR. Audit party should also see that (i) payment of Minimum Wages Act is adhered to by the auditee and (ii) internal control system is in place and working properly.

Certificate to the effect that audit have been conducted in conformity with auditing standard must be incorporated in all DIRs.

**Certificate of Assurance to be obtained From Field Parties along with  
Draft Inspection Report  
Certificate of Assurance**

The audit of -----covering  
the Period from-----to-----was  
conducted by S/Shri -----  
AAO assisted by S/Shri 1.----- 2.-----  
Sr. Auditor/Auditor From-----to-----under  
full/partial supervision Of Shri-----Sr. Audit Officer.

It is certified that all issues relating to fraud and corruption have been examined in audit, to the extent records made available for test check, in compliance with the provision of standing order contained in Hqrs. letters No. 126/Audit (AP) 1-2004 dated 06.09.2006 and other applicable instructions by the Accountant General, and suitably commented upon in the enclosed report, whenever found necessary, supported by detailed documentation.

- 1.-----
- 2.-----
- 3.-----
- 4.-----

Signature, Name & Designation of Party members

[Authority: - AG's order No. OAD-M-F&C-49 dated- 16.01.07]

**Check Register of Inspection Reports**

3.23 All the Headquarters sections will maintain the "Register to watch the settlement of Inspection Report." in the prescribed format. AMG-II (Hqr) section will maintain the "Register for watching the receipt and issue of Inspection Reports" in the revised form

(C.AG's circular letter no. 259-O & M/30-67/vol. XII dated 5.5.72)

3.24 As soon as the DIRs are received in the Hqrs. section, it will be entered in the Check Register. The serial no. of the check register in respect of the reports concern will also be noted in the file cover as well as at the top of the DIRs, indicating the year to which they relate. After that the dealing auditor /senior auditor will fill up the Editing Memo and submit the same to the AAO for scrutiny and onward submission to the group officer of AMG-II wing through the Branch Officer concerned within a week from the date of its receipt in the headquarters section.

3.25 The Audit Officer acting as sub-auditor on behalf of other Accountant General (Main Audit Officer) after conducting the local audit entrusted to him should forward the Inspection report and Audit comments etc. to the main Audit Officer viz. the Accountant General concerned on whose behalf the audit had been conducted and latter should issue the report and pursue the same to finality.

(C.&AG letter no.1836-Admn. I/Admn.III-138/62 dated 28.7.1962)

3.26 As soon as the report is finally approved by the Senior Deputy Accountant General/Deputy Accountant General (AMG-II), the section will issue IRs to the local offices with a forwarding letter / endorsement under the signature of the Sr. DAG/DAG(AMG-II) or the Sr. Audit Officer (Hqrs.) on behalf of the former.

**Authorities to whom Copies of Inspection Reports are Required to be Supplied.**

3.27 Copies of Inspection Reports on the accounts of Civil offices should be sent simultaneously to the (i) Head of the office inspected (ii) the Head of the department concerned (iii) the Superior officer if any between the Head of the office and the Head of the departments and, (iv) the Administrative Department of Government and their attention invited specially to any important item or serious irregularities or other points requiring special attention. Copies of Inspection Reports will not ordinarily be sent to the Finance Department of the state Government, but when embezzlement is detected or inferred from any suspicious circumstances or any serious financial irregularity is discovered, a copy of the Inspection Report containing such information should be sent to the Finance Department also. In such cases, special attention of both the Finance Department and Administrative Departments should be drawn in the Forwarding memorandum to the relevant paragraphs of the report so that they may take action on them as expeditiously as possible.

Vetting sections are required to send printed hard copy of inspection Reports (IRs) to the auditee unit only. For this purpose, email address of all offices to which copy of IRs is to be sent must be collected and consolidated by respective vetting sections. All such email ids are to be updated annually by vetting sections. All Group Officers shall ensure implementation of this order. Further, all emails sent must contain a 'Disclaimer' clause in bold and italics as proposed by our legal counsel as under:

*'Disclaimer: This email is confidential. It may also be legally privileged. If you are not the intended recipient you may not copy, forward, disclose or use it for any purpose either partly or completely. Please delete the email and all copies from your system after notifying the sender immediately. Internet communications cannot be guaranteed to be secure, error or virus free. The sender does not accept liability for any errors or omissions. We maintain strict security standards and procedures to prevent unauthorised access to the information about.*

Further the Inspection Report (IR) attached with this email has been prepared on the basis of the information furnished and made available by the auditee(s). The sender disclaims any responsibility for any misinformation and/or non-information on the part of auditee(s).'

3.28 The memorandum forwarding copy of the Inspection Report to the Head of the local office should state that the replies to the different paragraphs of the report should be submitted within one month from the date of its receipt.

3.29 Watching receipt of replies to Inspection Reports: The period for the receipt of 1st reply should be one month from the date of issue of Inspection Report.

(Authority: C&AG's letter No. 1895-Admn.-III/ 268-60 dated 20.9.66).

3.30 While quarterly reminders should be sent to the office inspected for compliance of outstanding audit paras, a consolidated list of outstanding audit paras should be sent half-yearly in September and March each year to the head of the department under the signature of the Group Officer.

3.31 The receipt of compliance report for Inspection Reports and final settlement of paras are to be watched through a progress Register of settlement of Inspection Reports in the prescribed form.

This should be submitted to Branch officer / DAG (AMG-II ) once a month.

(Based on C&AG's letter No. 1656- Admn-III-152-60 dated 16.8.60).

3.32 The vetting section should endeavour to settle the paras, expeditiously and in the case where final and full compliance has not been received a demi- official reminder at appropriate levels should be issued.

### **Objection Books**

3.33 The Objection Book in the AMG-II (Hqr) Section should be kept in Form MSO (A)-II, which provides separate columns for keeping a record of the objections under the following categories:

- i. Misappropriation, fraud, defalcation, etc.
- ii. Excess payments, loss/shortage of stores etc.
- iii. Credit sales, recoveries in respect of which have been pending beyond such reasonable period as may be prescribed by the Accountant General.
- iv. Advances pending recovery/adjustment beyond such reasonable period as may be prescribed by the Accountant General.
- v. Miscellaneous objections

[para 7.2.25 of MSO(A) 2<sup>nd</sup> edition 2002]

3.34 The objection book should be submitted to Deputy Accountant General (AMG-II ) or the Accountant General once in every half year i.e. on the last working day of February and August every year.

3.35 Money values of objections raised in Inspection Reports should be noted in the register for "Objection Book" maintained in form MSO Audit 10.

(Authority: C&AG's letter No. 692-T.A/I/635-66 dated 1.3.67 and no. 768-Tech.-Admn. I/635-66 dated 13.3.67)

3.36 The money value in the following cases, however, need not be entered in the objection book.

- (i) Trading and proforma losses of Government concerns/ schemes as these are only pro forma in nature and are only meant to apprise the departmental authorities of the manner of their functioning
- (ii) Outstanding dues to Government on account of credit and other outstanding dues to Government in respect of which accounts are kept by the department for the purpose to watch recovery.

**Note:** Items in respect of which recovery is delayed beyond a reasonable period (to be fixed by the Accountant General) should, however, be segregated and commented upon in the inspection report for being recorded in the Objection Book maintained by the AMG-II (Hqr) Section for further pursuance.

- (iii) Outstanding loans and advances made by departmental agencies debited to the debt deposit or advance head of account.
- (iv) Cases of differences, discrepancies etc. in stock other than specific cases of shortage in departmental balance of stock for which responsibility has not been fixed and action for recovery has not been taken.
- (v) Mere instructions to departmental officers for future guidance need not be registered in the Objection Books maintained in the Audit Office. If the pursuance of an objection indicates the need for prescribing a new procedure for general observance, such procedure should be communicated by a general letter and not by any form or statement intended solely for the communication of objections.

[vide para 7.2.11 of MSO (A) 2<sup>nd</sup> edition, 2002]

### **Six Monthly Register of Objection**

3.37 A register of items outstanding for more than six months is maintained in which necessary entries are transcribed from the objection books. The details of the objection and the action taken for their settlement should be clearly mentioned in the appropriate columns of the register. The unsettled objections should be listed in the register and submitted to the Branch officer in-charge each month for inspection with a brief abstract showing the total number of items outstanding for each month. The register should be submitted to the Accountant General once in each quarter i.e. on the last working day of June, September, December and March. The six monthly register which do not contain any items need not be submitted to AG.

[Based on para 7.2.34 of MSO (A), 2<sup>nd</sup> edition 2002]

3.38 Half-yearly lists of inspection reports and objections outstanding for over six months or one year should be sent to the ministries and departments concerned to enable them to have an idea of the pendency and to expedite their settlement.

[Vide para 7.1.12(iii) of MSO (A) 2<sup>nd</sup> edition 2002]

### **Proposed Draft Para Register**

3.39 In each vetting section, a “Proposed draft Para Transit Register” should be maintained recording therein the cases of proposed draft paras noticed during the course of vetting. Whenever such para likely to be developed as draft paras is noticed in the DIR, it may be brought to the notice of Sr. DAG(AMG-II ) and after obtaining his approval, such paras should be entered in the PDP transit register and the extract of such paras with concerned key documents mentioning IR No., year and name of auditee unit may invariably be sent to the DP Cell through transit Register of the section where the cases will be further examined and will be entered in the PDP Register with the approval of the DAG(AMG-II).

The said PDP should contain the columns for (a) IR no. and year (b) name of auditee unit (c) Name of contributor (d) gist of para(s) marked for PDP (e) date of approval of Sr. DAG(AMG-II) and (f) money value.

### **Preparation and Maintenance of Audit Note Books**

3.40 The Assistant Audit officer and every Senior Auditor/Auditor at the Head quarter Sections should maintain a Note Book in which he should maintain a record of the points, he has to watch, but which are not required to be noted in any of the prescribed registers. All pages of Note Book should be serially numbered and Indexed. Whenever there is a change of incumbency, the Note Book should be surrendered to the Assistant Audit officer who will make it over to the successor. In order to ensure that the Note Book should serve the purpose for which it has been introduced. The Assistant Audit officer should personally instruct the Senior Auditors/Auditors about maintaining it.

3.41 A similar Audit Note Book should be maintained by every Assistant Audit officer and Senior Auditor/Auditor engaged on outside audits and inspections for noting all information, rules and orders. A separate set of pages should be assigned in this note book for each auditee office the accounts of which was audited by the audit party each year.

(Based on O.O. No. (T.M.) - 1578, dated 13.9.54).

### **Dictionary of References**

3.42 A dictionary of reference should be maintained in the AMG-II (Hqr) sections in prescribed Form which should contain a gist of all important orders, ruling and decisions affecting the wing of AMG-II requiring reference during local audits, which do not find a place in any other code or Manual. This will ensure uniformity of interpretation and practice.

(Based on Comptroller and Auditor General's letter No. 1505-Admn. I/441-53 dated 17.8.54).

### **Register of Draft Corrections to the Manual**

3.43 A register should be maintained in which all new orders and corrections affecting the office Manual should be entered. The Assistant Audit officers (AMG-II) will be responsible for keeping the Manual up-to-date. They should propose draft corrections to the Manual as soon as any rule or order necessitating an amendment comes to their notice.

### **Supply of Important Orders to Audit Parties**

3.44 AMG-II (Hqr) section will ensure that Xeroxed copies of all relevant orders, circulars and letters affecting the works and other activities of audit parties are issued to each audit party as well as Sr.AOs on tour. All necessary guidelines should also be issued from time to time to the audit parties for better performances.

### **Supply of Stationary and Forms**

3.45 The stationary and forms, required for use in the headquarters sections and audit parties of AMG-II (Hqr) should be obtained from the Record Section one quarter in advance e.g. supplies for the quarter ending April-June may be obtained in the month of December and those for the quarter ending July-September, in the month of March. Quarterly indents should be sent to the Record Section by the 20th of the month immediately preceding that in which the supplies are required to be obtained.

3.46 A proper stock account of all stationary articles should be maintained in AMG-II (Hqr).

3.47 The stationeries meant for AMG-II parties should be promptly supplied to concerned members of audit party and their acknowledgement obtained and kept in file.

3.48 Supply of stationary and forms will be made subject to availability of stock, in accordance with the requirement.

3.49 The annual requirement of stationary and forms should be worked out by the AMG-II sections and intimated to the Record Section every year on or before the dates notified by the section from time to time. In preparing the indents, due consideration must be given to economy, past consumptions and stock in hand.

### **Reference from the Inspecting Officer and Audit Parties**

3.50 All communications from the Inspecting officers and outside audit parties should be diarised in a separate register and their disposal noted against each item. The important notes and papers received from the field parties should be taken up and disposed of immediately. An arrear report of such communication should also be compiled in the diary registers at the end of each week and put up to Branch officer for his review as is done in the case of other letters received from other sources.

### **Submission of Certified Accounts of Statutory Bodies/Other Bodies etc. and Audit Report thereon for Presentation to the Parliament/State Legislature**

3.51 The audit falling under section 14, 15, 19 and 20 of CAG's (DPC) Act, 1971 should be conducted as per instructions contained in "Manual of Instructions for Audit of Autonomous Bodies" Volume I & II, Second Edition, July 2007.

### **Replies to Inspection Reports**

3.52 The period for receipt of 1st reply should be one month from the date of issue of an inspection report. The receipt of such replies will be watched by the headquarters section through the check Register and cases of unusual delay should be promptly taken up with the higher administrative authorities of the department concerned.



### **Disposal of Replies in the Head Quarters Section**

3.53 On receipt of replies in the head quarter section they will be carefully examined by the dealing senior Auditor/Auditor concerned with reference to the original objection and submitted to the Sr. Audit officer/ Assistant Audit officers at headquarters along with a draft reminder in respect of such items where further action is called for where the reply of the head of the office is considered unsatisfactory or insufficient, comments of the higher administrative authorities of the departments may be called for and important cases may also be referred to Government for a decision or clarification after obtaining the orders of the Senior Deputy Accountant General/Deputy Accountant General (AMG-II) or the Accountant General (Audit) wherever necessary.

### **System of Records**

3.54 The bulk of the records of the department consist either of inspection report files or cases on important subjects. After the inspection reports are issued, the original draft along with a spare typed copy of it, the objection statements, and other concerned papers are filed together in the same stiff cover, and this will form the nucleus of the file. All subsequent correspondence on the inspection report, including the replies and rejoinders should be filed in the relevant inspection report file.

3.55 Separate case files should be maintained on other important subjects. Care should, however, be taken to see that the numbers of files are not unnecessarily multiplied and that all correspondence connected with the same subject matter are filed together for the sake of easy reference.

3.56 The case file should have relevant file headings indicating the subject matters in brief. A “Register of case files” should be maintained by each AMG-II section.

3.57 Detailed instructions regarding the system of filing, reference and destruction of the letters etc. are contained in chapter-XIV of the Office Procedures Manual which should be consulted.



**CHAPTER-04**

**Rules and Procedure for the Field Staff Attendance**

**4.1 (a)** All members of the Audit Management Group-II Parties must attend the office under inspection during its regular office hours on working days.

**(b)** Clear cut guidelines and instructions should be issued, in writing, to the Audit parties before they proceed on local inspection/audit. Additionally, all parties are required to discuss the various aspects of the audit in the light of compliance audit/performance audit guidelines with the group officers before they proceed to the field. It will be necessary for the Accountant General (Audit) as well as Group Officer to devote their personal care and attention to this process.

(Vide para 6.1.16 of MSO (Audit) 2nd Edition 2002)

**Holidays**

**4.2** The Audit Management Group-II inspection party while on tour may observe the state Government holidays.

(Authority: CAG's letter no. 3247-N.G. E.-51-50 dated the 6th December 1950).

**Application for Leave**

**4.3(i)** Application for leave (except in most urgent cases) should be submitted through the inspecting officer, well in advance so as to admit them for being considered and sanction communicated before the date of commencement of the leave. In cases where the applications are finally disposed of by the Inspecting Audit officer according to the power vested in him under the orders in force, he/she will communicate the orders to the AAO concerned and forward the application to AMG-II (Hqr) for information and record.

**(ii)** Whenever any member of the field party intends to proceed on leave (including CL) application for leave/intimation to this effect may be sent to the headquarters either through an email or speed post and the documentary evidence of having sent the intimation/application before proceeding on leave should be kept by the AAO/ IO for production to authorities, if required later.

(O.O. No. OAD (M) 124/83-84/17 dated 27.3.84).

**(iii)** When Assistant Audit Officers proceed on leave, they should send their leave applications to AMG-II headquarters as well as to the Inspecting Officer concerned for onward transmission to DAG/AMG II.

**(iv)** The certificate prescribed should not be given with reference to the programme initially fixed but with reference to the revised programme or extended time so that the question of accumulation of arrears may not arise.

**(v)** Similarly, when an Inspecting Officer *proceeds* on leave, the application should be sent to AMG-II headquarters. The inspecting officer may also inform the AAOs under him.

(Based on O.O. OAD/ 324 dated 3.3.60).

**Transfer**

**4.4** Transfers of Auditors from one party to another are generally done as per requirement. If any member of the staff has preference about any particular circle, he should inform the DAG/Sr. DAG (AMG-II) in writing. The request will be taken into consideration as far as practicable, keeping in view the exigency of public service, but it should be borne in mind that such transfers cannot be claimed as a matter of right.

### **Change of AAO and Auditors during the Course of an Audit**

**4.5(a)** It is not done in usual course. However, in exceptional cases, if any member of audit team is transferred during the course of audit, the said member will have to hand over all the requisite papers/files to his successor or to the senior member of the team.

**(b)** In case the objections are not replied to by the local office by the time of his transfer, he should prepare his draft paragraphs on the basis of duplicate copies of the objections issued by him.

**(c)** Where the first successor is also transferred before the completion of the audit, he should, also similarly hand over drafted paragraphs to his successor, along with those received from his predecessor.

**(d)** The AAO who completes the audit will be responsible for (i) consolidating the draft paragraphs at suitable places in the Inspection Report, (ii) drafting the Introductory para and the concluding portion and (iii) arranging all other materials in Part I, part II, Part III, Part IV, Part V and Test Audit Note. He will also be responsible for timely submission of the consolidated draft report and the Test Audit Note, to the Inspecting Officers concerned for editing and approval.

**(e)** The Audit comments will however, be drafted by the AAO who completes the audit. The supervising Sr. Audit Officer should give particular attention to this aspect.

**(f)** Unless supervision is provided at the closing stage of audit the audit certificates on the Proforma Accounts will be signed by the Assistant Audit Officer who closes the Audit.

(Circular no. OAD (M) 124-81-82/124 dated 23.7.81).

### **Movements by Audit Parties**

**4.6** Except in unforeseen and unavoidable circumstances, movements by Audit Parties should be strictly in accordance with the approved tour programme.

### **Correspondence by AAO**

**4.7(a)** Ordinarily, the AAOs are not authorised to correspond directly with the Heads of the local offices or other authorities, except on routine matters, such as intimations regarding audit, request for the return of draft inspection reports on objection sheets and requisitions for records etc. Whenever, they have occasion to make a reference on other matters, they should submit a note through their inspecting officers along with a draft, for approval by the DAG/Sr. DAG (AMG-II).

**(b)** Within the department, the AAOs and Inspecting Officers should refer all matters to their superior officers through "notes" and not in official letter forms.

(Based on para 5 of OAD circular no. 9 dated 52-53).

### **Matters dealt with by Audit and Inspection Parties to be kept confidential**

**4.8(i)** All members of the Audit and Inspection Parties should carefully note that matters with which they have to deal during the course of their professional duty are to be kept confidential. The audit is intended for the assistance to local officers and Government and it is not justified to permit their shortcomings to become public.

**(ii)** Auditors should not disclose information obtained in the auditing process to third parties, either orally or in writing, except for the purpose of meeting the SAI's statutory or other identified responsibilities as part of the SAI's normal procedures or in accordance with relevant laws.

(Vide para no 4.33 of ASSOSAI)

**4.9 (i) Reporting of Privileged or Confidential Information**

In general, the SAI should include in the audit report, whatever, it sees fit. However, certain information may not be freely discussed as when the national security or interest is involved. In this situation, the auditor may make a separate unpublished report including such confidential sensitive material but the same shall only be made available to persons authorised by laws and regulations. Alternatively, the SAI may not include such information in the audit report, but the nature of information omitted & the requirement that makes the omission necessary should be stated in the report.

(Vide para 4.147 of ASSOSAI)

(ii) Paras involving personal entitlement of High court judge(s) should be sent to Hqrs. office for clearance. The procedure of bringing such point to the notice of judge(s) concerned through confidential D.O. letter should be continued, as per instruction contained vide CAG's D.O.letter no. 610-Rep(s) /98-97 dt. 23.06.99.

As regards the audit objections other than cases mentioned above should be processed in usual prescribed manner and need not be sent to the CAG' office.

[Authority C&AG's letter no. 807-Rep(s)/324-2003 dt. 06.07.2005]

**Granting Certificates**

**4.10** Assistant Audit Officers are not permitted to grant certificates of any kind to the employees of the offices inspected by them or to their Auditors.

**Interview with the Head of Office Inspected**

**4.11** Soon after taking up an audit the AAO should have interview with the Head of the office, and invite suggestion which he may like to offer regarding any special point for examination during audit. He should also see the Head of the office as and when necessary with a view to discuss with him matters of importance arising out of audit. At the end of an inspection if, it is not supervised by an Inspecting officer, the AAO should invariably arrange another interview with the Head of the office and discuss in detail the draft Inspection Report embodying the result of audit. When an Inspecting Officer supervises an audit he should lead the discussion.

**Facilities to be given to Audit Party**

**4.12** The Head of office of which the accounts are under audit should arrange to give every facility to the audit party in the conduct of his business. All accounts records, registers and other documents which he may demand for this purpose should be laid before him with due expedition. If the Auditor does not get the necessary documents required by him, he should bring the fact to the notice of the Head of the office before making any representation to the DAG/Sr. DAG (AMG-II). Where the State Government certify that the documents in question are secret, the Asstt. Audit Officer should accept a statement certified by the State Government in lieu of such documents as a correct account of the facts stated therein. If the documents are confidential, the officer to whom they are made over shall be responsible for preventing disclosure of their contents.

**4.13** The daily objection memos issued in course of audit should be returned within three days with replies showing the actions taken or proposed to be taken for settlement of the objections. These replies should be signed by the head of the office inspected. All objection statements should be returned on the date on which the audit closes. No objection statements should remain unanswered on that date.

### **Removal of Office Records**

**4.14** The Inspecting staff shall not, except with the written permission of the Head of the office whose office they are inspecting remove from the premises of such office, any books, vouchers or documents of any kind what so ever.

### **Call for Office Records**

**4.15(i)** Members of Audit Party must serve a requisition in writing for all records and registers required for audit purposes. If members of audit party state that they called for papers but that could not be produced by the local officials, they must be able to prove it from their requisitions. At the end of audit period a “non-production of papers/registers/documents” may be given as important paragraph (objection) duly received by auditee unit and should be mentioned in the DIR.

**(ii)** In course of scrutiny of accounts and transactions of Governments, Audit is entitled to make such queries and observations and to call for all records, statements, returns and explanations as it may consider relevant and necessary in the interest of proper discharge of its duties. All such queries and observations shall be couched in courteous and impersonal language.

[vide para 2.1.7 of MSO(A) 2<sup>nd</sup> edition 2002]

### **Time Allowed for Audit**

**4.16** The time schedule as provided in the approved tour programme should be strictly followed. The number of working days for each audit should on no account be exceeded without the prior approval of Deputy Accountant General/Sr. Deputy Accountant General (AMG-II).

**4.17(a)** The time fixed for each item of audit includes the time required for drafting the Inspection Reports and no extra time is allowed for this work. It is, therefore, essential that as far as possible, the AAOs /Inspecting Officers must write up their reports and schedules from day to day.

**(b)** In the absence of AAO on leave, the Sr. Auditor /Auditor in-charge of the party should finalise the drafting of the Inspection Report. If, however, the audit is finally supervised by the inspecting officer, onus of writing Inspection Reports devolves on him as usual.

(Based on O.O. No. OAD (NC)-G-163 dated 18.9.59).

### **Time Allowed for Submission of Draft Inspection Reports**

**4.18** In the case of supervision of field parties the draft inspection reports should be submitted by AAO to the inspecting officer concerned for editing & onward transmission to the headquarters section the following day of the close of the audit. The inspecting officer in their turn should despatch the reports to the headquarters duly edited the following day in case of minor audit and after two days in case of major audit of their receipt. Thus, all the field parties will submit the inspection reports within 7 days after completion of audit without fail. While submitting the IRs the field parties should ensure that the paras are properly ranked with matrix value as per instructions contained in CAG letter no. 207-Audit (AP)/16-2004 dated 22-11-2004(Annexure). The DIR without ranking will not be accepted in the Headquarter section and the same would be shown outstanding against the party concerned.

(Vide O.O. OAD (NC)/2006-07/27 dated 21-6-2006)

### **Weekly Diary of Work Done**

**4.19** Every AAO should submit a weekly diary in standard form no. SY-324, showing separately the details of each days' work done by him and his assistants. Each diary is intended to form a record of daily work done during the spell of a week. In writing their diaries, the Auditors should avoid the use of such general terms as "assisted the AAO/ Inspecting officer". The AAO should see that all columns of the diary are properly filled in and written up in such a manner that responsibility for each particular item of work can be definitely fixed on a particular Auditor. The journeys performed, absence on casual leave, as well as the gazetted and local holidays availed of should also be shown in their diaries.

**4.20** The diaries should be prepared in duplicate, one copy being submitted to the Inspecting Officer concerned and the other despatched direct to the Headquarters section, punctually on the afternoon of every Saturday.

**4.21** The inspecting officer will scrutinise the diaries submitted to him with a view to see whether the necessary checks have been exercised and that the outcome of work is satisfactory, and then forward them to the Headquarter section, with his remarks, if any.

**4.22.** In the Headquarters Section the weekly diaries shall be examined and entered in the Register of diaries. Relevant columns of the "Check Register of Inspection Reports" should be posted from the information available in the Auditor's diaries, and thereafter they should be filed in separate stiff cover files maintained for each audit party. The Check Register of diaries should be examined every week to see whether diaries have been received from all the parties and that the time allotted for the audit has not been exceeded in any case without prior permission of a competent authority. Cases of discrepancies and non-receipt of diaries should be brought to the notice of the Branch Officer, AMG-II (Hqr)

### **Service Stamps**

**4.23** The system of supplying service postage stamps to party has since been discontinued.

### **Duties and Responsibilities of the Sr. Auditors/ Auditors Attached to Parties.**

**4.24** A working programme should be drawn up at the commencement of each audit, showing the items of work to be done by each person, with definite date by which each item is required to be completed. The AAO will, however, be responsible for the work as a whole and for seeing that the working day of each Auditor is fully and profitably utilised. The AAO should keep a vigilant watch over the progress of work done by the Auditor and properly scrutinize their objection statements before issuing them to the local office.

**4.25** Selection of months for detailed check are done by the AAO in the field party on the basis of expenditure as evident from the Cash Book, Bill Book and Contingent register etc. The selection is finally approved by the Inspecting Officer, where supervision has been provided.

**4.26** The vetting section of the AMG-II dealing with the Inspection Report of the respective auditee unit will send to the AMG-II (Hqr) section a list of paras which are required to be handed over to the AAO of the party concerned, the final settlement of which is subject to verification during next audit and details of any other point which are to be seen/investigated.

### **Attitude of Auditors (Members of Audit Party)**

**4.27** Auditors (Members of audit party), should be very careful to avoid any misunderstanding or friction with the local officials with whom they come in contact.

Their attitude should be of one who has come to assist and not merely to criticise. If they avoid frivolous objections and convince the officers by the manner in which they go about their work that they are not there to complicate the procedure but to simplify it, they will meet with little difficulty and receive full cooperation. They should bear in mind that unnecessary meticulous and badly expressed objection not only bring discredit to audit and cause annoyance to local officials but also increase the work at both ends. The Inspecting staff should, therefore, maintain a strictly detached, dispassionate and technical attitude in day-to-day conduct of their work. Nothing should be done to hamper the evolution of the complementary roles of audit and Administration, either by the use of extravagant language or by the attitude that audit alone is the keeper of the Nation's financial conscience.

(Based on the C&AG's D.O. letter no. P.S. 588/56 dated 23.10.1956).

### **Independence, Integrity and Due Care**

**4.28 (a)** Independence from the audited entity and other outside interested group is indispensable for auditors. Independence requires that members of the audit team be free of any hindrance to their independence that could impair their impartiality in carrying out their work, making judgements, forming opinions & conclusions or making recommendations. Auditors should strive not only to be independent of audited entities and others interested groups, but also to be objective in dealing with the issues and topics under review.

(Vide para 4.32 of ASSOSAI)

**(b)** Due care requires the auditors to carry out their audit work diligently, conscientiously and with proper rigour. It requires that the audit work be performed in accordance with auditing standards and SAI policy instructions. Due care also requires that those supervising and conducting the audit work exercise similar vigilance.

(Vide para 4.35 of ASSOSAI)

### **Procedure for Simplification of Initial Accounts**

**4.29** Although, it is primarily for the head of the offices concerned to bring to notice any process of the initial accounts, the forms of which have been prescribed by the Comptroller and Auditor General of India which in their opinion have become unnecessary or obsolete by changed conditions, the audit parties should always be ready to take up this matter, as and when it comes to their notice during the local audits and inspections. They should also assist the local officials with advice in matters affecting accounts and financial regularity of transactions. They may even show by practical illustration, if necessary, how the account registers should be maintained and how a proper check is exercised in order that there may be no possibility of mistake or omission due to ignorance on the part of the local officials. The proposals regarding simplification should not, however be embodied in the Inspection Reports, but submitted separately to the Accountant General (Audit) through the Deputy Accountant General/Sr. Deputy Accountant General (AMG-II). If however, in any case, the head of an office desires some special help from the Inspection staff or requests for some type of investigation to be conducted which is likely to take more time and consequently dislocate the audit programme, the matter should be promptly referred to the DAG/Sr.DAG (AMG-II) and seek his orders. In no case he should take up any special investigation work which is not within the scope of audit, at the instance of the Administrative Authority without the specific sanction of the DAG./Sr.DAG (AMG-II).

**4.30** They should not also make independent enquiries from the general Public as such action amounts to an encroachment upon the functions of the administration (paragraph

2.1.10 of C&AG's Manual of standing orders (Audit)). Audit should confine itself to calling upon the Executives to furnish the necessary information, and in case of difficulty it should confer with the Executives as to the best means of obtaining the evidence which it requires, and if necessary to obtain specific orders of DAG/Sr. DAG (AMG-II), on the point.

#### **Period of Accounts to be Audited**

**4.31** The period of accounts to be audited by the Inspection party should, unless otherwise specified, be the period falling between the month upto which the accounts were last audited and the month preceding that in which inspection takes place. This is intended to ensure that the points which are taken up in audit relate to current or recent matters and not to very old matters.

**4.32** The local audit and Inspections should be complete and thorough in respect of the transactions covered by them. There have been cases, in which local audit by our staff failed to bring to light serious irregularities and even defalcations which were later discovered by other agencies. The C&AG of India has desired it to be strongly impressed upon all members of the Inspecting staff that a single instance of such failure, which brings the whole Audit Department into disrepute, will be taken serious notice of. The inspecting staff should bear this fact in mind and must be vigilant and searching in their work.

(C&AG's D.O. letter no. nil dated 6.6.1955 and O.O. No. 1835 dt. 4.7.1955).

#### **Special Investigation and Independent Enquiry by Audit**

**4.33** No inspecting officer or the members of Audit party are competent to undertake any investigation whether such an investigation results in extra time being taken or not. If any such important point is noticed in the course of an audit, the inspecting officer should bring it to the notice of the DAG/Sr. DAG (AMG-II) and seek his orders. In no case he should take up any special investigation work which is not within the scope of audit, at the instance of the Administrative Authority without the specific sanction of the DAG/Sr.DAG (AMG-II).

**4.34** Inspecting Officer or Auditor is not bound to confine his investigation to the nominal period prescribed for his audit. He may pursue a transaction to any period. When a serious irregularity is discovered, it should invariably be pursued right up to date.

#### **Quantum of Audit & Selection of Month for Detailed Audit**

**4.35** Except where otherwise specified in any particular case, the accounts for one month in a year will be selected by the party or inspecting officer for detailed check, after proper and judicious review of the transactions of the cash book based on vouchers and nature of the expenditure month wise. The test audit of the accounts of the selected month would include the checking of the entries in the cash book relating to its receipts and its remittances into treasury.

In addition to the detailed check of the accounts for one month the arithmetical accuracy of the cash book should be checked for one more month selected at random. The above check of the cash book should include checking of opening balance for proper carry forward from the closing balance of the month selected for scrutiny to the next month.

In the case of biennial and triennial audits checking of arithmetical accuracy is to be continued to two months selected for test checks.

#### **Months of Accounts Checked in Detail should not be disclosed.**

**4.36** The Inspection Reports should not disclose the month's account checked in detail. In the Inspection Reports, it should be sufficient to state that "a test audit was conducted"



(without specifying the month or other details). In the title sheet, however, a note should always be kept as to the months account audited in detail so that the information is available for fixing responsibility for failure of audit, etc. if it becomes necessary on later date.

(C&AG's letter no. 12-Admn. II 1954, dt. 6.2.1954).

### **Validity of Sanctions of Higher Authorities may be examined by Audit**

**4.37** It is not beyond the scope of an auditor's (Members of audit party) work to examine the validity of sanctions accorded by authorities superior to the head of the office whose accounts are under audit by him. In fact where the powers of sanction or of incurring expenditure of a particular authority are not clearly defined, the matter calls for special alertness and intensive scrutiny. The financial competence of the authority should be carefully examined to see if he is incurring un-authorized expenditure or issuing sanctions beyond his financial powers.

### **Action to be Taken when Accounts are not ready for Audit**

**4.38** When it is found that the accounts of an office have not been written up-to-date and are not ready for audit, or there are any other facts which are likely to seriously affect the progress of audit, the AAO should at once report full facts seeking instructions from the headquarters.

### **Verification of Cash Balance**

**4.39** The Inspecting officers are not required to verify by counting the cash balance of the office under inspection. It is, however, not the intention that an inspecting officer should be debarred from verifying the cash of an office if the circumstances of any case warrant this. In such a case, if the verification should be undertaken as soon as the necessity for the same is felt, and this should preferably be done at the time when the officer incharge is present.

(Authority: C&AG's DO. No. 70 Admn-/-54 dt. 26.7.1954).

### **Position of Audit vis-à-vis, Departmental Officers in the matter of Inspection of the Departmental Offices**

**4.40** The Primary object of inspection of the departmental offices by the Indian Audit & Accounts Department is to assist the executive authorities in maintaining an efficient and regular control of financial transactions entrusted to their charge. It is not intended that those authorities should be relieved of their responsibilities in the matter of frequent check and supervision expected of them as a standing arrangement. An inspection by the audit staff does not and cannot extend to a detailed examination of each and every item of receipt or expenditure or other transactions that occur in an office or department. An audit inspection which only supplements inspection and supervision by administrative authorities can do not more than to see generally that the rules prescribed for the guidance of those authorities in the matter of financial transactions are being duly observed and bring to notice any irregularity or want of attention on their part.

**4.41** The audit department is responsible for seeing that the procedure observed in the departmental offices meets all the requirements of audit and the accounts are properly maintained. In fact, any suggestion for safeguarding the financial interests of Government should be given special attention. If the accounting procedure is found defective or difficulties arise in the application of audit checks, the matters may be discussed with the Head of the office and full facts of the case reported separately to the AMG-II (Hqr) section for taking it up with the higher authorities if considered necessary. It should, however, be

borne in mind that any criticism in this regard must be limited to financial criticism and based on accounts. It is not the function of Audit to range over the field of Administration or statistics and offer suggestions how governance may better be conducted.

### **Objectives of Audit**

**4.42** The broad objectives of audit are:-

(i) To provide an unbiased, impartial and objective assessment of the reliability & fair presentation of the financial activities & financial position of the Government in their accounts.

(ii) To provide an assessment of the due observance of the laws, rules, procedures, and systems in keeping with the financial interest of and propriety in the functioning of the govt, and

(iii) To provide an assessment of the achievement of economy, efficiency, and effectiveness (value for money) in the implementation of the mandated activities of the Government. In the process, audit aims :-

(a) To safeguard the financial interest of the taxpayer;

(b) To assist the Parliament or State/UT Legislature in exercising financial control over the executive.

Thus, the primary objectives of audit of expenditure are to check whether:-

(a) Funds have been authorised by the competent authority prescribing the limit within which expenditure can be incurred;

(b) The expenditure conforms to the relevant provisions of the act and the constitution and of the laws made there under and is also in accordance with the financial rules and regulations framed by the competent authority ;

(c) Either a special or general sanction of the competent authority authorising the expenditure is available; and

(d) All financial transactions have been correctly recorded in the accounts under examination and have been allotted to the appropriate heads of accounts.

[Vide para 2.1.3 of MSO (A) 2nd edition 2002]

### **Conduct of Audit**

**4.43** The above objectives of Audit can be achieved only if the Audit parties and Inspecting Officers learn to do an intelligent review of the financial administration and concentrate on a few really important points rather than wasting time and energy over a mechanical sort of audit directed to score objections with a view to keep the size of the Inspection Reports.

**4.44** As the essential object of accounts is to present a true and definite picture of the financial conduct of an institution, an intelligent and proper audit requires the visualising of the financial aspects of an institution or scheme as a whole, in their proper perspective, and not merely investigation of the details of transactions, the mass of which work up to a final result. It is, therefore, essential that before taking up the audit of any particular institution, the Inspecting staff should consult the printed administrative reports and other Government publications describing its objectives and activities, so that they may have an intimate

knowledge of its system and activities, and thereby make their audit both intelligent and useful, instead of allowing it to become merely a process of checking registers and records in a disconnected and mechanical fashion.

### **Responsibilities of the Inspecting Officer**

**4.45** A sound system of supervision and review of audits, both financial and performance, is essential for maintaining good quality of audit. Supervision involves directing audit staff and monitoring their work to ensure that the audit objectives are met. Supervision involves assigning responsibilities, providing sufficient guidance to staff members, staying informed about significant problems encountered, reviewing the work performed, overseeing individual development, and coaching, providing periodic feedback and effective on the job training.

(Vide para 4.108 of ASSOSAI)

### **The responsibilities of an officer-in-charge of audit have been laid down by the C&AG, of India in the following terms:-**

The inspecting officer will remain responsible for the efficiency of the inspection as a whole, though some items of work may, in accordance with the local instructions or local usage, be entrusted to the subordinate staff. He must guide the members of the party in their work and determine the extent of independent action to be allowed to each of the its members with reference to their experience, qualities and capacity to act independently. Based on such judgement, the inspecting officer may permit the individual members of the party to issue audit memos themselves see them in due course after issue. In cases where it is considered appropriate, he should stipulate that the memos be issued only with his approval. The inspecting officer should always keep himself posted with the progress of the audit and the observations that have been communicated to the office inspected.

[Vide para no. 6.1.8 of MSO (Audit) 2nd edition 2002]

**4.46** The value of an audit depends largely on the intelligence and thoroughness which is brought to bear on it. Sometimes routine and formal objections, if pursued properly lead to the detection of serious irregularities or a defect in system liable to lead to fraud. Members of audit party should, always be alive to this and never exercise the prescribed checks perfunctorily. When an Audit party member feels that he has touched on a matter which may lead to investigation he should go into it with an exhaustiveness which will leave no detail undiscovered, and he must take nothing for granted during such an investigation. Members of Audit party should take particular care to collect all relevant information, clinch all issues involved and also take attested copies of such documents which are likely to be useful in pursuing the matter with the higher authorities.

**4.47** For an intelligent and efficient audit or inspection of accounts, the following are necessary:-

- i. that the member of audit party should be familiarised with laws, forms of accounts, scope of audit, authority etc,
- ii. that they should examine the latest accounts and estimate or budget and consider their effect on audit,
- iii. that they should review matter for attention from previous year's audit and consider the accounting & auditing problem likely to occur,
- iv. that they should be aware of any significant events or charges within the auditee or governing framework occurred in previous year e.g. new accounts

- codes, new heads of accounts, computerization, new legislation etc. which is likely to affect the audit,
- v. that they have to keep in mind the objective of gathering reasonable and relevant evidences to support their opinion and conclusion,
  - vi. that they should have sufficient understanding of internal control to plan the audit.

(Vide para 4.6 of ASSOSAI)

**4.48** If in any case it becomes necessary to consult the files of the state government, in order to have a detailed and latest information on a case, a proposal for this should be put up to the Sr. DAG/DAG (AMG-II) who will scrutinise the demand carefully and obtain AG's orders, if necessary. The C&AG's instructions regarding file audit are secret and confidential files of government should be obtained and seen by the Accountant General; other files may be requisitioned and seen by an officer not lower in rank than a DAG. The requisition for the file and also the result of the file audit should be communicated to government under the signature of at least the DAG.

(Vide O.O. No. C-383 dt. 25.3.55)

**4.49** In conducting the audit, the members of audit party should confine themselves to facts which have bearing on accounts and finances, and matters not falling strictly within the scope of audit should not be touched by them.

**4.50** When a member of audit party proposes to raise a higher audit question on grounds of financial propriety on a subject which is predominantly administrative or technical in character, he should make sure that he has been able to ascertain and properly grasp the facts and principle or principles behind them, and that the raising of the question or its pursuit is a legitimate duty of audit and is also likely to serve some practical purpose. The issues involved should be looked into intelligently, and not only procedural knowledge, but common sense should be applied, especially where technical points are concerned.

**4.51** It is, however, undesirable that in local audits and inspections the check of important initial records such as the cash book should be neglected in favour of materials which may provide cases for "Efficiency-cum-performance Audit." It is equally important to secure the correctness of accounts.

**4.52** In course of the local audit of the initial records such as Cash Book, etc, the entries should be invariably checked with the counterfoils of receipts and the treasury challans. It had come to the notice of the C&AG of India that during a local audit challans in respect of the credit of sale proceeds remitted into the Treasury could not be produced in several cases in support of the entry made in the Cash Book as cash remittances to treasury. This aroused the suspicion of the local audit staff, who thereupon made special arrangements to compare the credits direct with the credits brought to account on the books of the treasury. This verification disclosed that the amount of several challans which had been accounted for in the Cash Book as having been remitted to Treasury were not actually so remitted but was embezzled by the cashier, by forging the signature of the Treasury officer on the receipted challans.

**4.53** During local audits and inspections, the Cash book of the office for two months, should invariably be checked with reference to the counterfoils of receipts, etc. and the remittances verified with the original books of the Treasury (viz-Treasury Cash Book or Receipt Schedules). Where this test check reveals defalcations, orders should be obtained

whether to extend or not the period of check. This check is, however, not intended to be applied during local audits and inspection of the Public works and Forest Divisional offices.

(C&AG 's letter no. 1986 Admn I-425-52, dt. 23.7.53 and no. 2465 Admn.-I-425-52, dt. 6.10.53, O.O.No. 1264 (OAD) dt. 24.2.53 and 1277 (OAD) dt. 19.3.53).

**4.54** It should be a general rule that, in a local audit, the Cash Book should be checked personally by the incharge of the party, or by the Inspecting officer himself and certify its correctness or otherwise. The fact of such check should be specifically recorded in the title sheet attached to the Inspection Report mentioning therein, inter-alia, the month's accounts which have been checked in detail.

**4.55** In addition to the checks prescribed in the codes and Manuals, the most important point that should be kept in view in checking a cash book, is to see whether the cash Balance shown to have been paid or remitted to Treasury is supported either by a proper voucher or a challan (when cash is shown remitted into the Treasury)

(Based on O.O. No. OAD(C) 1431 dt. 28.3.55).

**4.56** In auditing payment vouchers, the Auditors (Members of audit party) should not apply merely mechanical checks e.g. see that there is proper quittance in support of payments that amounts charged are arithmetically correct, the rates are in accordance with the schedule of rates. In the interest of thorough audit, it is necessary to see that the charges in the bills are not extravagant, and if doubt arises the prevailing market rates should be ascertained through the District Officer. Cases of different rates paid for the same article noticed during the audit of two or more offices in the same locality should be investigated and members of audit party should find out the causes of such differences.

**4.57** Members of audit party should tick or cross-tick all entries checked by him and initial all vouchers with the special Audit pencil. It should be borne in mind that where more than one "tick" has to be placed against the same items, different varieties of ticks should be used, each one denoting that a special part of the audit have been performed. The tick should be small and neat so as not to give the books an untidy appearance.

**4.58** Members of audit party should not make rough notes, correctness or remarks in any of the registers or documents of the office under audit.

**Note:** Audit pencils are supplied to members of audit party for recording tick only, and as such, they must be carefully preserved and should not be used for any other purpose.

### **First Audit of an Institution**

**4.59 (i)** Reporting on irregularities or instances of non-compliances with laws or regulations, the audit team should be careful to place his findings in the proper perspective. The extent of non-compliance can be related to number of cases examined or quantified monetarily. Reports on irregularities may be prepared irrespective of qualification of the audit team opinion. By their nature, they tend to contain significant criticism, but in order to be constructive they should also address future remedial action by incorporating statements by the audited entity or by the audit team, including conclusions or recommendation.

(vide para 4.146 of ASSOSAI)

**(ii)** In all cases where the local audit or inspection of an office or institution is conducted for the first time, the adequacy and suitability of an initial system of accounts, forms, registers, internal supervision by higher Administrative officers, the scope of central audit by

the main office and the desirability of local audit in future years, should be properly examined. The defects and improvements, if any, in the initial accounts and supervision should be pointed out in the Inspection Report as usual.

(Based on O.O. no. 1299 (OAD) dt. 8.4.53).

### **Reporting of Individual Cases to C&AG**

**4.60** It is not necessary to report individual cases of serious financial irregularities to the C&AG unless his intervention is deemed desirable. The AG may, however, seek his advice in cases of doubt or difficulty. All serious and interesting cases of fraud and forgery, and cases indicating the need for change in procedure should, however, be reported at once for his information.

**Note-** All communication to the CAG for advice should contain (a) a clean statement of the point at issue (b) the view of the AG thereon (c) details of the action, if any, he has already taken and of that proposed to be taken. Where these may be necessary, copies of the relevant correspondence and documents should be enclosed to the reference to explain or clarify the issues involved.

[Vide para 7.1.7 of MSO (A) 2nd edition 2002]

### **Report of Defalcations and Frauds etc.**

**4.61** In supersession of the existing instructions on the role of audit in relation to cases of fraud and corruption, Hqrs. Office has issued instructions for necessary compliance under its letter no.126-Audit (AP)/1-2004 dated 06-09-2006 and has desired that examination of system for detection and prevention of fraud and corruption will henceforth be an integral part of all regularity Audits and also of Performance Audits. The actions to be taken as envisaged in the letter under reference are detailed below in brief for compliance of all concerned.

#### **At the level of field parties:**

- a. Must furnish a certificate of Assurance in format given in para 3.22 of chapter 3 along with **IR** which should include, inter alia, examination of issues relating to fraud and corruption and compliance with the provisions of standing orders contained in Hqrs. letters no. 126/Audit(AP)/1-2004 dated 06.09.2006 and applicable instructions by the AG (Audit) supported by detailed documents.
- b. Cases relating to Suspected/Presumptive fraud and corruption should be highlighted in the **IRs**. All such cases should be pointed in Bold type.
- c. During the course of audit, audit personnel should be vigilant and seek explanation if it comes across possible fraud indicators.
- d. Should check compliance with the provisions of rules 33, 34, 37 & 38 of **GFRs**, 2005.
- e. Should go through the standing orders contained in the above Hqrs. letters for necessary compliance during the course of audit.
- f. Duty list should be prepared and got approved by the party in-charge before commencement of audit as is done at present. Further, on completion of audit, all field personnel should also certify that they have performed their allotted duties.

(Vide O.O.No. OAD (M) –F&C-49 dated 16.01.2007)

**4.62** While reporting irregularities or defalcations direct to the head of local office, the Auditors must confine themselves to a plain statement of facts. On no account should these

reports contain any adverse criticism regarding superior officers. All details necessary for a clear understanding of the case must however be reported to the Head office, including:

- (a) The rules infringed, if any,
- (b) Departure from the established procedure, if any, which facilitated the commission of the fraud.
- (c) Lacuna and defects, if any, in the rules and the procedure which facilitated the commission of the fraud, and
- (d) The officials responsible for infringement of the rule and departure from the established procedure.

(vide C&AG's no. 1367 A-and A- 402-13-dt. 5.11.1913).

### **Objection Statement to be Issued and Got Back**

**4.63** The inspecting staff will record all queries and objections disclosed in course of audit on Audit Objections Memos. These memos should be prepared in duplicate by carbon process, the top copy being issued from day to day and not in lump after several days or towards the close of the inspection. While issuing such objection memos, they may be serially numbered and receipt of each must obtain from the ministerial staff subordinate to the DDO.

**4.64 (a)** The objection statements issued in course of audit should be got back with replies on the same day or on the following day. In no case they should be allowed to remain with the local office beyond 3 days from the date of issue or the date of close of the audit, whichever is earlier. If however, in any case it becomes absolutely unavoidable to leave the objection statements with the departmental authorities, only Xeroxed copies of objection memos should be left so that the original will always be available with the party from which the draft inspection report may be prepared in case the replies are not received in time.

(O.O. No. WM. 1-5-3878 dt. 24.2.54).

**(b)** If the replies to the audit queries are incomplete or inadequate, the pages concerned should be reissued to the local officer with a request to return the same with further remarks to clarify the point. The Inspecting Officer in course of their inspection should also impress upon the heads of the offices, the paramount importance of returning the objection statements promptly to the Audit party.

**4.65** Every endeavour should be made by the local officers to settle the objections finally before returning the objection memos to the Audit Party. But at the same time, the efficiency of AAO will largely be judged by his success in having the objections cleared before he leaves, (i) by giving proper guidance to the inspecting staff (ii) holding discussions with the head of the office, and (iii) ensuring as far as possible, rectification of the irregularities, in their presence, or at least by obtaining commitments to that effect on the objection statements. The last day of that audit should be mainly kept in reserve for discussions.

### **Settlement of Outstanding Objections of Previous Audits**

**4.66** The first duty of the inspection staff on commencing of audit will be to verify the actions taken on the outstanding paras of the previous Inspection Reports, and the Test Audit Notes.

For this purpose, the relevant files should carefully be studied and every opportunity should be given to the local officials to meet the points and, if necessary, the correct lines should be indicated by giving proper guidance to the accounting staff and holding personal discussions with the head of the office. In all cases where the promised action has not been taken,

attention of the head of the office should at once be drawn through a note, impressing upon him the paramount importance of early action in the matter. But if in spite of best efforts, the result appears to be unsatisfactory and a large number of items remain outstanding, they should be recounted in the current Inspection Report in a separate paragraph under the caption "Previous Inspection Reports". At the same time, the matter should be reported to the DAG/Sr. DAG (AMG-II) who will take it up with Government or the Head of the department concerned.

(Based on the C&AG's letter no. 1446-Rep/206-54-dt. 4.12.54)

**4.67** In respect of objections regarding losses and other irregularities having money value, which the Auditors/members of audit party drop during the local audit, they should clearly indicate in the statement as to how the objections were settled i.e. whether by recovery or write off of the amount involved, quoting references to the Treasury challan under which credited or Government order sanctioning the write off. This will enable the Headquarters section to remove the objections from the objection book.

**4.68** Correctness of the replies furnished by the local office should, invariably be verified before objections are dropped. The removal of objections without such verification amounts to failure of audit and will be dealt with as such.

**4.69 (a)** Settlement of outstanding paragraphs of the earlier inspections reports is one of the important duties of an inspecting officer and should be given adequate attention. The discussion and settlement of such items of objection in respect of office, situated at the station visited by the Inspecting party but which are not actually inspected by that party should normally be done by the Inspecting officer himself.

(C&AG 's letter no. 15 Admn. II/432 Admn-II/ 59 dt. 9.1.1960)

**(b)** Audit objection pertaining to the category of excess/overpayments which await settlement till the recovery pointed out is effected in all such cases wherever found justified, a draft para on such recoveries should be processed and note kept in the register of special points to be looked into at the time of next local audit to ensure that the recoveries have been fully made or still being made.

Audit objections which are outstanding for want of decisions of the court, all such objections should be removed from Register of outstanding Inspection Reports/paras whenever the offices of the Head of Department e.g. Director of Agriculture, Director of Fisheries, office of the Engineer in chief etc. are audited, a list of cases settled by the court, from the date of previous audit to the date of present audit should be called for and a test check conducted to ensure that the court cases were pursued properly and no loss occurred to Government due to negligence etc. of the administrative authorities.

(Authority: C&AG's circular No. 8-Audit-II/90 No. 800/Audit II-64-89 dt. 25.7.1990).

**(c)** A review/analysis of outstanding objections/paragraphs of inspection reports may be conducted on following broad lines.

- I. Paragraphs which have lost significance with the passage of time may be dropped.
- II. Paragraphs relating to initial and subsidiary accounts in audit reports may be clubbed with or merged in the paras on the same points in the latest reports paras which have dealt with the subject matter or where no specific action or rectification or improvements has been suggested may be dropped.

(Authority: O.O. OAD (M) 137/87-88/130 dated 5.2.88 and C. & AG's circular No. 22-T.A. I/ 82 No. 748-T.A.I/45-82-vol II dated 19.6.82).



(d) Field parties in a routine way ask for the present position of the previous inspection reports and then fill up profoma III of the DIR saying that no action could be taken to settle outstanding paras as previous inspection reports were not produced.

All cases of non-production of old inspection reports should also be discussed with the Head of office and his comments needs to be obtained. A para there on must also be incorporated in the DIRs.

All cases of non-production of old inspection reports should be brought to the notice of concerned Administrative Department with a view to ensuring that the presence of the Audit Party is utilised by local office for settlement of outstanding audit objections. The up-to-date list of outstanding paras may be sent to our office/field parties.

**4.70** While it is not possible to lay down any rigid set of principles for clearing the outstanding objections/paras as their settlement ultimately depends on merits of each case and should be dealt with extreme care and caution, the following guidelines may be kept in view for settlement of objections/paras which are pending in the old reports.

(i) Inspecting officers/AAO should draft the paras regarding Test Audit Note and its compliance should be shown at the time of next audit (instead of saying that compliance should be reported to the main office).

(ii) Recovery of petty amounts falling within the powers of the waiver may be waived by the Inspecting officer or proposed for waiver by the Deputy Accountant General, (AMG-II) Accountant General (Audit) after issuing suitable instructions to the officers concerned.

(iii) The paras which are instructive in nature may be dropped provided the instructions are noted in writing by the department concerned.

(iv) Paras on non-completion of minor records may be dropped if their completion is in the final stages and if the department gives an assurance in writing that the records will be brought up-to-date within a reasonable time.

(v) Paras on procedural matters like attestation of some entries etc may be dropped when complied with or when department gives an assurance in writing that the defects will be removed within a reasonable time.

(vi) Paras, which are more administrative in nature may be dropped subject to the noting of the correct procedure by the departmental authorities.

(vii) Wherever adequate action has been taken by the department the relevant paras will no doubt be dropped.

(viii) Paras, which are pending for want of suitable sanction/order/approval of higher authority, etc. may be dropped on receipt of such requirements. They may also be dropped in old cases where such a sanction will be only a formality and there are no malafides. But a suitable report to the competent authority should be made simultaneously.

(ix) In case recoveries due from Government servants have been completed and the recoveries ordered by the competent authority have already commenced, the relevant paras may be dropped on the responsibilities of the department concerned.

In such cases central section should be suitably informed of the position for watching the recoveries through the objection books maintained by the headquarters section.

**Nominal Audit of Service Books and Leave Accounts of the Non-gazetted Government Servants**

**4.71 (A)** In accordance with the provisions contained in paragraph 24 of the secret Manual, the Inspecting staff should generally examine and test check the Service Books and Leave Accounts of the non-gazetted staff of the Government offices and institutions visited by them with a view to ensure that they are kept in a satisfactory manner.

**(B) Verification of Service Book and DCRG, GPF nomination during Local Audit**

According to the provisions of Para 24 of the S.M.I. Local Audit parties are required to examine the service Books of the non-gazetted Government Servants employed in the office/institution visited by them to ensure that they are kept in a satisfactory manner. It has also been provided that check of Service Books of all the members of the staff of an office should be completed in a cycle of four years as far as possible.

**(C)** Service Books are one of the most important basic records which are inter-alia required for determining the pensionary benefits of the Government servants. It has, however, been noticed that the departmental offices are not taking due care in the maintenance of Service Books on recording of the entries therein. This is causing delay in finalisation of the pension cases of the Government servants at the time of their retirement and which ultimately results in undue hardship to them.

**(D)** The question of maintenance of Service Books, verification of the service rendered by the Government servants came up for discussion in the meeting of the committee on simplification of procedures in pension payment. The committee felt that Accountant General (Audit) has an important role to play in regard to checking of these documents and records during local audit. The matter has been examined in detail and it has been decided that in addition to the existing quantum of audit the AG (Audit) should exercise during local audit the following checks, in case of those Government servants who are to retire within the next 12-18 months.

(i) The Local Audit Party visiting an office should check the service books of all employees who are due to retire during the next 12-18 months even if checking of these categories of cases exceeds the prescribed percentage of 25% checking of Service Books in a year.

(ii) While checking the Service Book the local audit party will ensure that the Service Book is complete in all respects, events affecting pension have been clearly spelt out along with the remarks of the competent authority, whether the period will or will not count for pension and that there are no missing links.

(iii) The local audit party will also check that the nominations regarding death cum retirement gratuity, **GPF** etc. have been made by all the Government servants who are to retire within the next 12-18 months and suitable note has been kept in the service books. Cases where the nominations are not available be brought to the notice of the head of the office.

(iv) In order to exercise the check effectively the local Audit Party would obtain a list of retiring government servants from the head of the office and enclose it along with the observations with the draft inspection report.

(C.S. no. (i) 4.87 (A) vide DAG's order dt. 30.1.92).

**4.72** As Service Books will in future be the only documents for the verification of service for pension, it has been decided by the C&AG that adequate attention should be paid during local audit to the review of the service books. Twenty-Five per cent of the service books should be selected so as to include the service books of all Government servants who are due

to retire during the next five years and checked. Service Books, so checked should bear an audit endorsement duly signed (with date) by the officer-in-charge of the audit party. The check of Service Books should be to ensure that they are kept up to date and that they contain a certificate of annual verification of service with reference to the acquittance rolls etc. The entries in pay column should also be verified with reference to the office copies of pay bills to see that they agree and that the pay and increments drawn have been allowed correctly to the individual from time to time for the period to which the check of Service Books relates.

(Authority C&AG's confidential circular letter no. 417-T.A.-I/785-68 dt. 21.3.69).

The check that no payment has been made to a Government servant beyond the date of attaining the age of superannuation or on the expiry of term of extension of service sanctioned by competent authority should also be done during local audit,

(vide C&AG's confidential letter no. 928/Admn II/349-61 dt. 26.6.62).

**4.73 (a)** The leave account for percentage check should be so selected that the accounts already checked on previous occasions may not be selected again leaving the other accounts altogether unchecked.

(C&AG's letter no. 584 Admn II-331-52 dt. 21.5.54).

**(b)** The object of the above test check is to educate the local offices to maintain the leave accounts correctly and incidentally to discover any mistakes made as soon as possible, with a view to their ultimate rectification.

The leave accounts which are selected for check should be checked in the presence of the establishment assistant so that he may pick up useful knowledge of leave accounts and also explain any entries in them which appear to be erroneous.

**(c)** The minimum rate of checking leave accounts has been fixed at 8 leave accounts by each man per day. This rate should be raised when the opening entries in many of the leave accounts have already been checked. The total number of leave accounts checked in a given period, should not, therefore, be less than the number calculated at the above rate. The AAO of the party is required to check the same number of leave accounts as an auditor besides generally supervising the work of the party.

**(d)** Every leave account selected for check should be completely checked and should bear an entry "Test checked upto" (date upto which checked) which should be signed in full and dated (giving the year) by the person checking it. The inspecting officer if he is present on the spot, or the AAO would see that all leave accounts checked have been signed in full.

**(e)** All irregularities discovered in course of check of the leave accounts in each office should be incorporated in the relevant Inspection Report or to the Test Audit note according to their merit.

## **Audit of Grants-in-aid**

### **4.74 Introduction**

**(i)** The main aim of audit of grants-in-aids is to ensure that the grants are utilised for the purpose for which these are given and that sound economical financial management practices are duly followed while incurring expenditure out of such grants. Audit has also to bring to light instances of waste, failures, system weaknesses and deficiencies resulting in infructuous expenditure.

**Audit Approach**

- (ii) Audit of Grants-in-aid includes test check of records in Central Audit, local audit and relevant records in the A&E office. Audit offices are required to plan for effective utilization of the VLC database in the Central Audit as well as in the field audit of expenditure from grants-in-aid.
- (iii) Audit in case of Grants-in-aid can be applied (i) to the original grant itself and (ii) to the expenditure that is subsequently incurred from it by the grantee.
- (iv) In order to identify the bodies and authorities that attract audit under section 14 & 15 of the act, Government and heads of Departments are required to furnish to audit every year detailed information about the financial assistance given to various institutions, the purpose(s) for which the assistance was sanctioned and the total expenditure of these institutions.
- (v) Audit is to be conducted with reference to the original sanction as well as the extent of and condition governing the delegation of financial powers to different authorities of the Union, the State or Union Territory Governments. This may be done either in Central Audit or in local audit.
- (vi) All sanctions relating to grants and the corresponding utilization certificates are to be checked with reference to the Register of Grants-in-aid and the Grants-in-aid Audit Register maintained in the office of the Accountant General (A&E) in respect of each department.
- (vii) The grants-in-aid vouchers are to be checked with reference to the Register of Grants-in-aid against the relevant sanctions recorded in the Register.
- (viii) The audit of the grant itself is to be conducted according to the general principals and rules laid down for the audit of expenditure from the Consolidated Fund with particular emphasis on the following aspects.
- (ix) Audit has to verify that each item of expenditure is covered by the sanctions of the authority competent to sanction it. For this purpose, Audit has not only to see that the expenditure is covered by a sanction, either general or special, but also satisfy itself (1) that the authority sanctioning it is competent to do so by virtue of the powers vested in it by the provisions of the Constitution and of the laws, rules or orders made thereunder or by the rules of delegations of financial authority framed by the competent authority; and (2) that the sanction is definite and thus needs no reference either to the sanctioning authority itself or to any higher authority. Audit has also to see that the expenditure conforms to the provisions of the sanctions.
- (x) Audit should check that (i) the sanction conforms to the pattern of assistance or rules governing such grants-in-aid as approved by the Finance Ministry; (ii) the suitability of the institutions seeking the grant has been assessed by the sanctioning authority; (iii) no grants are sanctioned where there is reasonable doubt or suggestion of corrupt practices unless the institution concerned has been cleared of the allegations; (iv) every order sanctioning a grant indicate whether it is recurring or non-recurring in nature and the object for which it is given and clearly specifies the general and special conditions, if any, attached to the grant and (v) a provision to the effect that the accounts of the grantee institution shall be open to inspection by the sanctioning authority/Audit whenever considered necessary by them is incorporated in all orders sanctioning grants-in-aid.

[vide para 3.5.1 to 3.5.10 of MSO(A) 2<sup>nd</sup> edition 2002]

**Note-**For more details, Chapter 5 of section-III of MSO (A) may be referred to.

**Audit of Bodies/Institutions receiving Grant-in-aid from the Consolidated Fund of India or of any State**

**4.75** Audit of Bodies/Institutions/NGO's receiving Grants-in-aid from the Consolidated Fund of Jharkhand is governed by the Provisions of section 14 & 15 of C&AG's (DPC) Act 1971 which has been dealt with in detail in a separate manual i.e. Manual of Instructions for Audit of Autonomous Bodies, 2nd edition issued by the C&AG , July 2007.



**Compliance Audit**

**5.1 Essential procedures of Compliance Audit<sup>12</sup>**

The specific procedures that determine the efficiency and effectiveness of compliance audits, which should be followed in all compliance audit assignments, are described in the following four sections:

- A) Planning compliance audit
- B) Conducting audits
- C) Reporting results
- D) Grading of Inspection Reports
- B) Planning compliance audits**

Evidence based approach and the opportunities presented by data analytics need to be harnessed to integrate data from various sources and formats to gain deeper insights, identify and analyze risk exposures of entities as envisaged in the Compliance Auditing Guidelines. Use of IT resources for data analytics is encouraged since this could obviate the need to visit auditable entities. The macro and micro level risk assessments would lead to a better prioritization of the Auditable Entities and quality Annual Audit Plans and enable identification of focus audit efforts on the perceived high risk areas/activities. The procedures that should be followed while planning compliance audits are:

1. **Data Analytics:** Data Analytics should be carried out by the Data Analytics Group or Reports section, which involve the following steps:
  - (i) Map (Identify) the relevant audited entity databases and third party databases (Refer the Big Data Management Policy)
  - (ii) Collect the databases
  - (iii) Analyse it as per data analytic guidelines (which is under preparation by the headquarters)
  - (iv) The analytic results will be used as inputs for audit plan.

Activities at sl. nos. (i) and (ii) are primarily one time exercises which will require periodic updating.

2. **Maintenance of Guard file:** A guard file should be maintained for each auditable entity containing the legislation/rules/policies/orders that apply to the entity, Financial and Outcome budgets important long term contract/MoUs and internal control processed/procedures instituted by the entity (internal documents). It should also contain relevant sections of external overarching documents such as the Economic Survey, Finance Commission Reports, Indian Public Finance Statistics published by government of India etc that define the external environment and policy thrust in the relevant sector. This guard file should be updated in every audit.
3. **Desk review:** The audit party (or alternatively the SAO/AO in charge of the audit party) identified for audit of an individual entity (or a lead audit party identified for coordinating the audit of group of entities) should carry out a desk review at Headquarters before embarking on an audit. The review should comprise a study of the guard file, data analysis to determine the direction/focus of audit and to identify records/transactions that are potentially error prone for verification in the field. Ideally this can be synchronized with

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<sup>12</sup> <sup>12</sup> Headquarters letter No-226-09-PPG/2017 dated 23 August 2017

the quarterly scheduling of audit, when audit of similarly placed entities could be grouped/scheduled simultaneously (e.g. billing units/schools/PWD units etc.), so that focus areas/common focus areas could be defined and pursued in audit. Use of data analytics at this carried out for gaining an understanding of the entity to be audited and its focus areas, in certain cases, based on the context – size, complexity, scale of audit, desk review as a distinct procedure may not be warranted. In such cases, specific relaxation should be obtained from the concerned Group Officer, duly explaining the circumstances and recording/documenting the reasons for the relaxation, before commencing the audit.

4. **Planning audit procedures:** Based on an understanding of the individual entity (after the desk review), the SAO/AO in charge of the audit party should prepare a plan of audit procedures for the specific audit and assignment plan for the team members, which should be approved by the respective Group Officer before the audit is undertaken. A recommended format for planning audit procedures is provided as *Annexure I*. where a specific subject matter has been selected, an audit design matrix as envisaged in the Compliance Auditing Guidelines, should also be prepared.

Mandays required for the purpose of carrying out desk review and planning audit procedures may be appropriately factored into the annual audit plan to the extent required. It is expected, however, that this would not adversely impact the overall audit coverage.

### **C) Conducting audits**

During this process, monitoring the field audit parties and supervising the quality of audit and documentation of the field audit work are the most critical processes. The audit procedures that should be followed to achieve better process outcomes are:

1. **Interface with Headquarters:** An effective two-way interface between field audit parties and Headquarters needs to be established during the field audit process whereby Headquarters can effectively monitor the field audit process and the audit parties can report on audit challenges being encountered and also follow up on Headquarters directions. This would involve the following:
  - (i) Technological solution such as the OPTIMA being implemented in State AG (Audit) offices need to be leveraged to enhance the quality and effectiveness of monitoring.
  - (ii) Issues emerging from Group Officer Supervision should be effectively followed up and reported. A format has been devised to be provided by the field audit party as part of the Title Sheet to the Draft Inspection Report.
  - (iii) Any systemic issue observed during audit should be communicated to other parties carrying out similar audits to enable a holistic assessment across all audited entities.
2. **Certification of field audit process:** The SAO/AO of the field audit party should certify that the audit process was conducted as planned in accordance with the Auditing Standards and Code of Ethics and that documentation requirement have been adhered to. The certification may be part of the Title Sheet that the field audit party submits along with the Draft Inspection Report. The revised format of the Title Sheet is provided as *Annexure II*.

### **D) Reporting results**

Preparation of Draft Inspection Report and vetting of Inspection Reports are very crucial process. As envisaged in the Compliance Auditing Guidelines, the findings in the Inspection

Report should be presented in two parts – Part IIA comprising significant audit findings and Part IIB comprising other incidental findings with best practices being separately highlighted. The vetting process should have the same rigor as that adopted for Draft Paras. The following procedures should be adopted in this regard:

### **Inspection Reports and Test Audit Notes**

**5.2(a)** “At the end of each audit, the auditors (audit party) should prepare a written report, as appropriate, setting out the findings in an appropriate form. The report should be easy to understand and free from vagueness and ambiguity and include only information, which is supported by competent and relevant audit evidence. It should be independent, objective, fair and constructive.”

[Vide paragraph 4.127 & 4.0.7 of ASSOSAI & INTOSAI respectively]

**(b)** The result of local audit and Inspection is communicated through Inspection Reports and Test Audit Notes as envisaged in Paragraph 6.1.20 of M.S.O. (Audit) 2nd edition 2002. The Inspection Reports which include only important points and serious financial irregularities are addressed to higher authorities while the Test Audit Notes are sent only to the local officers for necessary action.

### **Instructions regarding Preparation of Inspection Reports**

**5.3** As soon as the objection memos are received back with replies from the head of the office inspected suitable draft paragraph should be prepared for the Inspection report and the Test Audit Note, each paragraph dealing with only one objection or group of similar objections. In this manner, as all the objection memos are received back, the draft Inspection Reports and Test Audit Notes will be ready by the date of close of the audit or inspection. As the time allotted for each audit includes the time for drafting the Inspection Reports, the work should be so spread out as to allow for the above duty to be completed within the allotted time. The objection statement should also be carefully drawn up so that the task of drafting the report might be rendered easy.

**5.4** It is imperative upon the inspection staff to complete the drafting of the inspection reports before they leave the station where the office inspected is located. The fact of such discussion should be specifically recorded in the Title sheet, and if no discussion could be held, the reason thereof should be specified. In any case, the signature of the head of the office inspected should be obtained on each memos and on discussion sheet in token of perusal of the audit and correctness of the fact contained therein.

**5.4(i)** The Inspection Reports should be as complete, accurate, objective, convincing, clear and concise as possible, polite in language. Every paragraph should comprise of three distinct parts viz. (1) a statement of facts (2) The money value of the objection, or its approximate value as calculated from the available data, and (3) the objection or the nature of irregularities, rules and orders infringed, if any and the action required for rectifying it. This arrangement may not necessarily be meticulously adhered to in every case, but all the points must be distinctly stated. Special attention should be drawn to important matters such as, wilful persistent negligence of duty, falsification of accounts, chaotic state of accounts, in separate paragraphs. It should be borne in mind that it is of more importance to bring home a general lesson than to dwell at length upon a particular irregularity.

**5.5** Suggestive headlines should always be given above the different paragraphs, in indication of the substance of the objection contained therein, so as to encourage the busy officers to go through them. Mere general headings such as "Cash Book", "Outstanding



Revenues” do not indicate anything but “Omission to enter receipts or expenditure in the “Cash Book”, or “Outstanding dues lost sight of” gives a definite idea and makes one inquisitive to know more about the matter contained in the paragraph.

**5.6** The Inspection Report should not be made unnecessarily lengthy by including too many points in it because, the difficulty in going through a bulky report often takes away much of its value. If a large number of irregularities are detected or the instances of a particular type of irregularity are numerous, only the more important points should be selected for the Inspection Report and the rest may be relegated to the appendices or the Test Audit Notes. It should be clearly understood that the efficiency of the Inspection staff will be judged by the quality of the materials in their Inspection Reports and not by the size thereof. Only serious objections which can be developed into draft paragraphs or those that requires recovery of money or regularization by sanctions or denote a system failure etc. should be included in the inspection report. The other objections could be incorporated in the Test Audit notes which could be watched and settled by the Departments themselves. It should be verified at subsequent inspection that adequate notice was taken of it.

[Authority C. & A. G.'s letter no. 8-Audit-II/51-90 dated 3.1.91 and O.O. No. OAD (M) 137/III/90-91/186 dated 21.3.91 & para 6.1.21 of MSO (A) 2nd edition 2002]

**5.7** As a rule trivial matters which can be and have been set right on the spot or are of no consequence to the finance of the Government need not be mentioned in the Inspection Report. However, if a number of similar points are noticed it may be desirable to mention the type of error or irregularities with one or more instances so that proper instructions may be issued for future guidance of the govt. servants concerned. It is desirable that statements and figures in relation to any defects or irregularities discovered should be based on clear documentary evidence. It is not sufficient to quote the rule or the order violated, the actual or possible effect of such deviation on the financial interests of govt. should be explained clearly.

[Vide para 6.1.21 of MSO (A) 2nd edition 2002]

**5.8** Interim reporting of significant matters may be made to appropriate officials to alert them to matter needing immediate attention and to allow them to correct them before the final report is completed.

(Vide para 4.128 of ASSOSAI)

**5.9** Objections of the same nature e.g. want of payee's receipts, estimates, agreements, measurement books and of relevant entries in stock and store Register etc. should be grouped together, as far as practicable. Where there are several departments in an office, the objections relating to each department shall be shown separately.

**5.10** The objections, especially those meant for Section - 'A' of the Report, should be self-contained in respect of all the matters with which they deal. The actual amount involved in each irregularity covered by the audit objection should be worked out as accurately as possible, and clearly stated in the paragraph. Vague suggestions such as "the loss or the overpayment involved should be worked out and recovered" should be strictly avoided.

**5.11** If it becomes necessary to deal with any correspondence, the subject matter should be summarized as briefly as is compatible with clear exposition. All details necessary for a clear understanding of each irregularity should be given, including:

- (i) An explanation of the transactions,
- (ii) a description of the nature and magnitude of the irregularity,

- (iii) any extenuating circumstance that might have existed,
- (iv) the defect, if any, in the system which led to the irregularity, and
- (v) the remedial or preventive measures adopted and adequacy or otherwise thereof.

**5.12** Not infrequently does it occur that while editing draft paragraphs for the Annual Audit Report, the Accountant General finds himself at a loss because of missing links in the facts and arguments set forth in the original IRs on which the paras are based. The information which is wanting cannot be obtained except by a reference to the local records and the inevitable consequence is that the draft paras have either to be abandoned or their consideration postponed for an indefinite period. It is, therefore, impressed upon the Inspecting staff that such a situation must not be allowed to arise and they must play their part faithfully.

**5.13** There must be precision about the happenings, and the comments should be based on facts and not on inferences. The sequence of events should be carefully noted in order to complete the chain leading to the final conclusions, and as far as possible, the dates of occurrences should be mentioned.

**5.14** Where a rule or order has been violated, its substance and the actual or possible effect of the violation should be briefly explained.

**5.15** Audit is concerned with facts and not with the conduct of the officers; consequently the name(s) of the official (s) personally responsible for any serious irregularity should not be disclosed in the Inspection Report. Only in cases of very serious dereliction of duty or embezzlement, the designation or status of the officer responsible should be mentioned. Such cases will be very rare, and audit should not take upon itself the duty of fixing responsibility for any such thing, on any individual. All particulars should, however, be reported to the DAG/Sr. DAG (Audit Management Group-II) in a confidential cover.

**5.16** The reference and conclusions drawn from the facts should always be problematic. Even when the evidence of a defalcation or fraud is very strong, the facts should be distinctly stated, but the reference drawn should be properly guarded and qualified by phrases such as "It appears to be" or "may turn out to be a case of defalcation/fraud" The paragraphs should be presented in such a detached and dispassionate form that the facts should speak more than the comments.

**5.17** Cases which are sub-judice should not be mentioned in such a way as to prejudice the claim or the defense in the court of law.

**5.18** Lastly, the quasi-judicial nature of audit should be remembered and every endeavor should be made to present a just and impartial picture of the case in a clear and plain language. In framing the objections, asperity in comments, insinuations and offensive generalizations should be avoided. The facts and conclusions, if properly stated, should speak for themselves. The use of words such as "fraud" or "embezzlement" which denote crime should be avoided. Unless of course, the crime has already been established. It is most important to know that all words and phrases which are likely to cause resentment or unpleasantness are entirely eschewed.

**5.19** Each Draft Inspection Report must contain a paragraph under the heading "Last and previous Inspection Reports". While recounting the unsettled paragraphs of the last and previous reports in the current Inspection Report, the Auditors should invariably quote the paragraphs and number and year of the original Inspection Reports to which they pertain (not the subsequent reports in which the objections were recounted). Where partial recovery or

regularization has been done, the up-to-date position should be explained against the paragraph concerned. Vague terms, such as, "no action taken" or "no paragraph fully settled" should be avoided.

**5.20** Each Draft Inspection Report should also contain a paragraph regarding the inspections done by the executive officers of the department concerned. Any important point revealed by the inspection notes of the departmental authorities should be suitably dealt with in the IRs and if no inspection was done, the fact should be stated as such.

**5.21** A statement of recoveries effected during the course of audit, and the amounts held under objection in the IRs for recovery, should always be appended to the IRs giving references to the relevant paragraphs. This should form the last paragraphs of part II of the Inspection Report.

**5.22** Every paragraph of the DIR should show in the margin (in pencil) a reference to the relevant item and page of the objection statement on which it is based. Sometimes, the IRs contains references to letters and orders of govt. or other authorities, which are not expected to be available in the Head office. All such reference should invariably be supported by copies or relevant extracts from the letters or orders concerned, taken from the local office.

### **General Remarks regarding the State of Accounts**

**5.23** The remarks about the general state of accounts of the office inspected should be recorded after proper appreciation of the facts disclosed in the body of the IR. Defects should not be recorded in general terms and all exaggeration of language should be avoided. In bad cases, the state of accounts may be stated as "Not quite satisfactory" and in other cases it may be stated that "There is scope for improvement." When anything is noted as not quite satisfactory the reasons should be stated in detail, in the body of the Report.

**5.24** On the other hand, there may also be some cases where the state of accounts is found to be satisfactory or generally satisfactory. In such cases, a declaration that the accounts are satisfactory would not be made as a matter of routine, or in a mechanical manner. Such a declaration should be recorded only where the Inspecting officer is thoroughly satisfied that the condition of the accounts really warrants such a compliment or remarks. Otherwise, the inclusion of such remarks in the face of serious irregularities contained in the body of the report is most undesirable, as the govt./department concerned is thereby lulled into a sense of security.

(Authority: C.A.G.'s circular letter no. 336-Rep/3-51 dated 16.6.1951).

### **Audit Evidence**

**5.25.1** Audit evidence is information collected and used to support audit findings. Audit conclusions and recommendations stand on the basis of such evidence. Consequently audit party must give careful thought to the nature and amount of evidence they collect. The audit party should obtain sufficient and appropriate audit evidence to be able to draw reasonable conclusions and audit opinion.

(vide para 4.80 of ASSOSAI)

### **5.25.2 The following paragraph explains audit evidence as an auditing standard:-**

The audit findings, conclusions and recommendations must be based on evidence. Since audit party seldom has opportunity of considering all information about the audited entity, it is crucial that data collection and sampling techniques are carefully chosen. When computer based system data are an important part of the audit and the data reliability is crucial to

accomplish the audit objective, audit parties need to satisfy themselves that the data are reliable and relevant.

(vide para 3.5.2 of INTOSAI)

**5.25.3** Member of audit party should have a sound understanding of techniques and procedures such as inspections, observations, enquiry and confirmation to collect audit evidence. It should ensure that the techniques employed are sufficient to reasonably detect all quantitatively material errors and irregularities.

(vide para 3.5.3 of INTOSAI)

**5.25.4 Adequate documentation is important for several reasons. It will:-**

- (i) Confirm and support the auditor's opinions & reports;
- (ii) Increase the efficiency and effectiveness of the audit;
- (iii) Serve as a source of information for preparing reports or answering any enquiries from the audited entity or from any other party;
- (iv) Serve as evidence of the auditor's compliance with Auditing Standards;
- (v) Facilitate planning and supervision;
- (vi) Help the auditor's professional development;
- (vii) Help to ensure that delegated work has been satisfactorily performed; and
- (viii) Provide evidence of work done for future reference.

(vide para 3.5.6 of INTOSAI)

**5.25.5** The audit party should bear in mind that the content and arrangement of the working papers (audit objections) reflect the degree of their proficiency, experience, and knowledge. Working papers (audit objections) should be sufficiently complete and detailed to enable an experienced auditor having no previous connection with the audit subsequently to ascertain from them what work was performed to support the conclusions.

(vide para 3.5.7 of INTOSAI)

**Communication of Results of Audit**

**5.26** Particular care should be taken in regard to the language and tone of the report. The inspection should be complete before the inspecting Sr. Audit Officer leaves the office inspected and it should not be signed until the officer in charge of the office (or any other office acting on his behalf) has been given the opportunities of reading and discussing it and suggesting any omission or modifications. The Inspection Report should be as brief as possible, but the points raised in it should be pursued until finally settled. The Test Audit Note does not require a reply in detail but it should be verified at a subsequent inspection that adequate notice was taken of it.

[Para No. 6.1.21 of MSO (Audit) 2nd edition 2002]

**Note:** - At the time of vetting the IRs, the BO in charge of the AMG-II(Hqrs) section should satisfy himself that only such of those objections or audit observations which merit inclusion in the report have been included therein and record a certificate to the effect that the IR includes objections of a serious nature only.

[Note below para 6.1.21 of M.S.O(A) 2nd edition 2002]

All field parties are to submit duly ranked hard copy of DIR along-with soft copy to AMG-II (Hqr) section within 7(seven) days from the date of conclusion of audit. Undue delay in submission of DIR would be dealt seriously. Printed copy should be compared with

manuscript before submission. All requisite Proforma such as status of computerization in auditee units, Assurance certificate for fraud and defalcation etc. should be attached to the DIR. Audit party should see that (i) Payment of Minimum Wages Act is adhered to by the auditee and (ii) internal control system is in place and working. Web address of CAG office has been changed to [www/https://cag.gov.in](http://www/https://cag.gov.in) (iii) Old IRs may be taken from concerned AMG-II/Vetting-I&II/ AMG-II (Hqrs) section for settlement of outstanding paras and a report thereof may be mentioned in the current IR. (iv) Copy/details of objections raised by Financial Audit Wing (previously CAP/CASS-I/II section) may be collected for necessary examination. During the audit if it is found that the concerned DDO has sanctioned grant/loan to any organization/NGO, details of such payments may be furnished separately.

Certificate to the effect that audit has been conducted as per auditing standard guidelines issued by CAG of India must be incorporated in the IR.

(Vide O.O. No. –OAD-Qr.-12/07/TP-96 dated-15.10.2007)

**5.27** The Draft Inspection Report will comprise of three main divisions viz. (i) part I-Introductory (ii) part II-section "A" and Section "B" and part III-Test Audit Notes containing petty objections which are likely to be settled either on the spot or by the auditee unit itself. The idea behind this compartmentalization is to focus attention of govt. and the local authorities to the more important types of irregularities so that action may be taken on them at the earliest opportunity. The types of materials to be incorporated in each of the above mentioned divisions are briefly indicated in the following paragraphs:

**PART – I**

**INTRODUCTORY**

I	Name of office:	Against this only the name, address and location of the office may be mentioned without writing a descriptive para.
II	Scope of audit and period of accounts audited	Here also no descriptive para needs to be given. This may be mentioned in brief terms, viz.."A test check of accounts for the period from.....to .....including a test verification of remittances to and withdrawal from the treasury was conducted with the Treasury/Sub-treasury records and check of service Books, Leave Accounts, TA Bills, grants-in-aid, stores, and proforma accounts (if any checked) and (all items should be mentioned unless some of these are not checked in which case reasons therefore should be mentioned within the margin of the IR or Title sheet) was conducted generally. If there are more than one schemes or branch of the account they should be clearly mentioned. A complete list of the records and registers examined in audit should be given as an appendix and referred to in this para. A list of distribution of various items of works done by each member of the party should also be prepared and signed by each individual member against the entries relating to this portion of work and attached to the Report.
III	Brief History:	In the case of first audit in the cases where similar accounts have not been audited since long, a brief history indicating the back ground, nature and object of the scheme for the

		projects, govt. sanction and name of the Agency by which it is financed should be given in brief (ordinarily not exceeding four to five lines).
IV	General Financial Irregularities	<p>Here non-achievement of targets, slow progress of execution of schemes, slow progress of recovery of rent etc., should be mentioned.</p> <p>This will include, inter-alia, the figures of allotment and expenditure, the financial irregularities, if any, connected therewith, such as expenditure in excess of allotment or without allotment or funds, money drawn to avoid lapse of budget grant (if the case involved smaller amount say Rs. 10,000) Rush of expenditure at the end of financial year and diversion of funds, heavy cash balances etc., should be mentioned. This should also indicate whether the system of budgeting is correct and there is no rush of expenditure apart from other lapses, but it need not contain lengthy and unnecessary appendix as no reply is expected therefore. The arrangement of the paras on these subjects will be as follows :</p>
	(a) Heavy excess or savings as compared to budget allotments.	In case the savings or excess are very small, these need not be commented upon.
	(b) Drawal to avoid lapse of grant.	Amount below Rs. 10,000 need not be commented upon.
	(c) Rush of expenditure at the far end of the financial year	If the total expenditure in March alone equals to 40 to 50% or more then the para should find a place, otherwise not.
	(d) Diversion of funds from one head of expenditure/ Report to another	Any amount less than Rs.2000 may not be commented upon
	(e) Rush of withdrawals from the treasury at the far end of the financial year	Amounts as per head of the accounts may be noted with reference to the periodicity of expenditure
	(f) Total grant in-aid received by the office.	Total figures only should be given.
V	Heavy cash Balance.	Amount in excess of Rs. 10,000 only may be commented upon.
VI	Custody of Cash and Keys	Any comment on irregularity in this respect as for example maintenance of Accounts and custody of cash by the same person or the custody of the two keys of the double lock being held by the same person, may be offered in brief.
VII	<p>Inspection of accounts by Departmental officer/Internal Finance Deptt. Auditors</p> <p>(a) By Departmental officer.</p>	In this para only the designation of the officer who inspected the office need be given indicating the date of inspection against each item. Only when there are some comments by any of the officers in respect of Cash or Account, further reference to their reports need be made giving a very brief summary of the irregularities noticed by

	(i) Head of office (ii) Controlling or other officer (iii) Heads of Department (b) Finance Deptt. Auditors	them. On the contrary, if no financial irregularities regarding maintenance of accounts have been mentioned by them in any of the reports, the fact should also be clearly mentioned here briefly. Further, in case the office had not been inspected by any of the departmental officers who are required to do so, under certain rules, at certain periodical intervals, the facts should also be clearly mentioned in this para.
VIII	Outstanding objections from previous IRs. in brief	(a) In this para the outstanding objections relating to the previous Inspection Reports (quoting the number and paras of the previous IRs) should be summarized very briefly in, about 4 to 5 lines in respect of each objection, indicating their upto date position. Tabular form should not be used.  (b) A separate statement showing the list of outstanding paras of a particular old IR recommended to be dropped with comments therefore may be attached to the IR in respect of each year's Report separately.
IX	Schedule of persisting irregularities.	Irregularities pointed out in previous IRs. if found to be persisting may be briefly summarized in the current year's Report with the remarks that these irregularities were also pointed out in para No.....of the Inspection Report No.....of....."
X	Recoveries suggested in audit.	Cases suggesting recoveries which have been brought out only should be mentioned in a tabular form giving reference to the relevant paras and the amount suggested for recoveries in them. On no account should any item be included which is within the knowledge of the Deptt. or the deptt. maintains some sort of record showing that a recovery has to be made (e.g. outstanding loans or advance.).
XI	General Remarks regarding the state of Accounts.	This should contain a general remark regarding the state of accounts as a whole after appreciation of the full facts in accordance with the instructions contained in paragraph 5.23 of this manual. There should also be a brief resume of the important financial irregularities discussed in the body of the report (quoting reference to the relevant paragraph) such as defalcations, frauds, heavy losses, gross breach of the standards of financial propriety, any irregular practice followed by the office which, if continued may lead to defalcation or loss.
XII	Whether the report was discussed.	In case the report was not discussed the reason therefore should be mentioned here.
XIII	List of statements	This should mention the statements enclosed with the Report No comments need be given.
XIV	List of records not produced to audit.	It needs to be commented upon.

**5.27 (A) Introduction of New Pattern of Inspection Reports**

**Part -I**

**Introduction**

This part may commence with -

- An overview of the audit unit and may provide its functional/ Geographical jurisdiction,
- Budget, financial performance and a perspective of the relative significance of the unit in the overall hierarchy of the department in pursuit of organizational goals.
- This may be followed by a brief explanation of the scope of audit, the sampling procedure followed and the audit sample – including the implementing units, the subject matter(s) selected and
- The sources of criteria that have been adopted to evaluate the selected subject matter(s).

**It may indicate that the audit has been conducted in accordance with the applicable Auditing Standards of CAG**

**Part-II**

**All positive and negative audit findings to be arranged in two parts**

**Part-II A**

Important audit findings relating to evaluation of regularity and propriety related subject/ specific subject matter.

**Part-II B**

Any other incidental audit findings related to regularity and propriety aspects.

**Part-III**

**Follow up on findings outstanding from previous Inspections Reports**

- 1) Paras recommended for settlement of audit findings from previous Inspection Reports.
- 2) List of outstanding findings.

**Part -IV**

**Good practices/ innovations done by the unit, if available/ found**

**Part -V**

- (i) Acknowledgement of audit units' co-operation in all matters including production of records called for audit and details of persons holding leadership positions in audit units**
- (ii) Records not produced.**

**Compliance Audit Design Matrix**

Audit objective/Sub-objective	Audit questions on selected subject matters	Audit criteria	Data collection and analysis method	Audit evidence
Planning of schemes				
Allocation, release and utilization of fund				
Implementation of schemes				
Human Resources				
Objective of the				



schemes				
Monitoring				

**Audit Findings Matrix**

Audit objective/Sub-objective	Audit questions on selected subject matters	Audit criteria	Audit evidence	Conclusions
Planning of schemes				
Allocation, release and utilization of fund				
Implementation of schemes				
Human Resources				
Objective of the schemes				
Monitoring				

[Authority C. & A. G.'s letter no. 378/PPG/22-2012 dated 12.04.2016]

**Contents under Part-II, Section A**

**5.28** Part II Section 'A' of the Inspection Report should contain only such objections as are either likely to find a place in the Report of the CAG, or would result in considerable economy to the state or at least of such serious consequences as to merit attention of govt. or the Head of the department. As in effect part II section 'A' of the IR would contain only potential draft para objections for the Report of the CAG. (Civil) the materials should be very carefully selected and properly developed in the light of general instructions contained in CAG's Manual of standing orders (A) 2nd edition 2002. Adequate care must be taken to make the objections self-contained in respect of all matters with which they deal and to ensure accuracy of the information and every opportunity should be given to the departmental officers to explain their point of view which should be suitably incorporated in the Report. All such objections should also be got expressly accepted or refuted by them in order to avoid subsequent disputes regarding the correctness or completeness of the facts. It is not enough to obtain the signature of the departmental officers on the draft report in token of discussion. They should be requested to give their concurrence or remarks on a separate sheet. The object is to keep indisputable evidence with us to show that we have done all that was possible for us to do.

**5.29** The drafting and presentation of such materials in the Report is also of paramount importance and the general principles outlined by Report section should be properly understood and carefully followed.

**5.30** All-important irregularities involving recoveries, question of principle, losses, embezzlement etc. execution of scheme i.e. results of working of schemes, farms and other production centers running at loss (if the loss is very heavy) etc. should be embodied in this part of the Report.

**Contents under Part II, Section "B" of the Inspection Report**

**5.31.1** This section of the report including the other irregularities of comparatively less importance e.g. (i) objections involving excess or irregular payments which are not important enough to merit inclusion in Part II Section "A" (ii) repeated failures or intransigence on the part of an office to rectify procedural irregularities. As it is difficult to make a clear

demarcation, all that can be said in this respect is that the objections to be included in this section should be of such nature that even though not of grave importance, it is essential for audit to pursue them and keep a careful watch over their rectification or compliance. While submitting the DIR, the field parties should ensure that the paras are properly ranked with matrix value as per directions contained in the C. &AG's. letter no 207-Audit (AP)/16-2004 dated 22.11.2004(Annexure I&II).

[vide O.O. No.- OAD(NC)-2006-07/27 dated 21.06.2006]

**5.31.2 Presentation of Draft Inspection Report<sup>13</sup>:**

- i. Each para should clearly bring out whether the deficiency/best practice is an isolated case or it has a systemic connotation.
- ii. The paras should be drafted in an orderly manner by identifying the criteria) both for regularity and propriety subject matters) against which the subject matter is being evaluated, describing the condition (deviation from criteria as observed in audit), correlating the cause of deviation and determines the effect of deviation. The reply of the audited entity should be incorporated and audit rebuttal/contention thereon should be clearly presented.
- iii. While reviewing paras outstanding from previous Inspection Reports, in case of a continuing deficiency or a persistent irregularity the audit team should identify systemic issues/control deficiencies rather than routinely updating the para with latest information/revised monetary value.

**5.32 Principal governing categorization of Para under Part-IIA and Part-IIB**

Classification principle	Category	Part – II A	Part –II B
a) Nature of objection	1) Systemic issues 2) Isolated cases	<b>Systemic Issues:</b> Systemic deficiencies/weaknesses/deviations (other than issues that are only procedural) subject to materiality as per (b) below. <b>Isolated cases:</b> Individual cases of deviations/violation and aberrations that relate to operational, functional and financial matters subject to materiality as per (b) below	<b>Systemic issues:</b> Procedural deviations that do not significantly impair process (es), outputs and outcomes. <b>Isolated cases:</b> Individual cases of deviations/violation and aberrations that relate to establishment, personnel, administrative and other miscellaneous matters.
b) materiality	1) Quantitative 2) Qualitative	Issues that are quantifiable (Quantitative) – Materiality value has to be determined for each entity.	Cases of (a) above and those that ordinarily pertain to Part –IIA but

<sup>13</sup> Headquarters letter No-226-09-PPG/2017 dated 23 August 2017

		Issues where materiality is determined by context (Qualitative) – Materiality has to be determined based on professional Judgment after considering various factors that are enumerated in Compliance Auditing guidelines (para 5.11).	are not material. However, cases that can be classified as trivial need not be reported.
<b>c) Fraud and misappropriation, presumptive fraud, Leakage of revenue</b>	NA	All cases to be taken as Part –IIA	NA

*Note-Please see Annexure III regarding weightage of paras*

**5.33** There will be a note at the end of Part II Section "B" which will contain the following information:

- (i) Name and designation of the officer-in-charge of account during the period covered by the report.
- (ii) Names of Asstt. Audit officers and Auditors who conducted the audit
- (iii) The dates from and to which the audit was conducted.
- (iv) Names and designations of the Inspecting Sr. Audit officers who supervised the audit if any.

**5.34** At the end of the Audit Note the signature of the head of the office or the Drawing & Disbursing officer should be obtained as token of having seen all audit objections and the report. If he refuses to discuss or sign on the Audit Note, it may be mentioned as “Refused to sign on the Audit Note”.

**Test Audit Notes**

**5.35** All other objections involving procedural defects and minor irregularities having apparently no financial implications which cannot be settled locally during the inspection, and do not merit inclusion either in part I or Part II of Inspection Report should be written out in the form of a Test Audit Note (Form No. SY-327) to be issued separately to the local office concerned.

**5.36** The other copy of the Test Audit Note shall be kept with the records and sent out to the AAO concerned when the next audit of that particular office is taken up. These objections shall not be pursued from the Headquarters section, but it will be the duty of the next Audit party to verify the action taken thereon by the local office concerned, and incorporate the outstanding items in the next Inspection Report.

**Procedure for Signing and Endorsing the Inspection Reports**

**5.37** At the end of each draft Inspection Report, the AAO should put his full and dated signature. When the Inspection Report is drafted by the Inspecting Sr. Audit officer personally in accordance with the Instructions contained in paragraph 2.16 ante, he should himself sign the report. In case of unsupervised and partially supervised audits, the officer responsible for editing the report should write on the left side "edited" in the Notes portion under his full and dated signature.

**Title Sheet**

**5.38** While submitting the draft Inspection Report to the Inspecting officer or Head office, the Asstt. Audit officers will attach a title sheet together with six proforma therein as given below. This form has been designed to serve as a History card for each Inspection Report. Printed copies of such forms will be supplied by AMG-II (Hqrs) section.

**5.39** This office has to furnish details of cases of recoveries made at the instance of Audit during every year, for incorporation in the Administrative Report of the department brought out by Headquarters office. The field parties have been directed to furnish the details of recoveries made at the instance of Audit, in each office where the audit is conducted and a statement in the proforma given below may be attached with the DIR of each office.

**Details of Actual Recovery**

Reference to the Inspection audit Reports (para there of to be indicated)	Name of the Deptt./ office	Nature of Recovery suggested	Amount Involved	Amount Recovered	Reference to letter no. & date of the Deptt. /office intimating recovery.	Remarks
1	2	3	4	5	6	7

(Authority: O.O. No. OAD (M) 100 dt. 1.1.87)

**5.40 Improvement in Quality of Inspection Report.**

**Para 6.5 of CAG<sup>S</sup> Compliance Auditing Guidelines states that:**

*“The Inspection Report of an audit unit should provide a perspective of the unit level compliance and may comprise the following parts:*

**Part I – Introduction-**

**Part II – Audit findings** – This part shall contain all findings – both positive and negative findings that pertain to the audit unit and may be arranged in two distinct parts – Part II A and IIB-

- The first part comprising significant audit findings relating to evaluation of the regularity related subjects matters and
- The second part – IIB comprising other incidental findings relating to both regularity and propriety aspects.
- The audit findings should be organized in decreasing order of materiality and significance, if possible.

*Presentation of audit findings shall conform to the Auditing Standards and other reporting principles enunciated in this chapter and clearly bring out the applied criteria, the results of evaluation of the subjects matter against the criteria highlighting the cause and effect relationship. Audit findings may also appropriately indicate the extent of non-compliance and whether they involve systemic issue or represent isolated cases of non-compliance.”*

In addition, **Para 6.1.22 of CAG<sup>S</sup> Manual of Standing Order(Audit) states that** the settlement of outstanding paragraphs of earlier inspection reports is one of the important duties of an Inspecting Officer. The discussion and settlement of such outstanding objections in respect of offices situated at a station visited by an Inspection Party but which are not selected for inspection should as far as possible be done by the Inspection Officer during his stay at that station.

Para 6.1.23 of CAG'S Manual of Standing Order(Audit) further states that the results and findings of audit of cash management and physical verification of cash by the Drawing and Disbursing Officer in the presence of Audit may be forwarded along with inspection report. The factual notes/Factual statements relating to potential draft paragraphs are to be prepared and forwarded by the Inspecting officer to the Accountant General.

Authority –O/o the Accountant general (Audit), Jharkhand, Ranchi

**Annexure I**

**[reference paragraph 5.1A (4)]**

**Format for planning audit procedures**

SL No.	Description	Details
1.	Name of the Entity	
2.	Period of audit	
3.	Duration of audit	
4.	Have the documents of the Entity (such as the Financial budgets/Outcome budgets/ Result Framework Documents/Annual Report/ New Policies and changes in policy, previous Inspection Reports/ Performance Audits Reports conducted earlier etc) been desk reviewed	
5.	Have documents and data from secondary sources (such as Reports of the State and Union Governments and of various Commissions/ / Census data/ Statistics put out by Government/NSSO data/digitized data available in data.gov.in, VLC data, Beneficiary data (if applicable) etc, and other sources like media reports, research reports, academic reports etc) been desk reviewed	
6.	Potential risk/focus areas that emerge of the review conducted as at (4) and (5) above.	
7.	List the Audit Objectives that are intended to be pursued both on regularity and propriety aspects	
8.	Summarise the planned scope of audit	
9.	Audit procedures that are intended to be applied (review of records, physical verification, joint inspections, external evidence collection etc)	
10.	Broad Assignment Plan for each party member	
11.	Other remarks	

**Annexure II**  
[reference paragraph 5.1B (2)]

<b>TITLE SHEET</b> <b>(TO BE SUBMITTED ALONG WITH DRAFT INSPECTION REPORT)</b>						
		<b>Part A</b>				
		<b>Summary of audit results</b>				
1	Name of the organization audited					
2	Name of the Party Personnel					
	(i)	Sr. Audit Officer				
	(ii)	Asst. Audit Officer/Supervisor				
	(iii)	Senior Auditor/Auditor				
3	Period of audit					
4	Dates commencement and completion of audit (Extension of time, if any granted may be separately indicated)					
5	Whether Entry Conference was held with the Audited Entity? If yes, enclose Minutes/Record of discussions. If no, provide reasons					
6	Number of potential paras (drawing reference to para nos) included in Part –IIA of the Inspection Report					
7	Number of paras (drawing reference to para nos) relating to fraud or misappropriation, presumptive fraud and leakage of revenue etc					
8	Paras relating to persistent irregularities etc that need to be brought to the notice of HOD through Management Letter.					
9	Briefly mention the challenges faced during audit (non-production of records, manpower or resource constraints, scope limitation etc) and how they were addressed during the course of audit					
10	Suggestions for overcoming such challenges in future audits					
11	Whether Exit Conference was held and draft Inspection Report discussed with the Head/Nodal Officer of the Audited Entity. If no reasons may be indicated			Minutes as per <b>Annexure A</b> to be enclosed.		
12	Date of submission of Draft Inspection Report and all working papers to Hqrs. (may be submitted within a period of 7 working days from the date of conclusion of audit)					
13	Reasons for delay in submission of draft IR etc. to Hqrs with reference to the allotted time period, if any.					
14	General remarks, if any					
		<b>Part B</b>				
		<b>(Details of Audit Process followed)</b>				
1	Whether the allocation of duties amongst each member of the Audit Team (SAO/SO/AAO/Sr. Auditor/Auditor) was prepared in line with the planned broad assignment plan and acknowledged by the respective party members? If no reasons and justification may be provided.			Allocation of duties as per <b>Annexure B</b> to be enclosed		
2	Sampling methodology adopted (Use as many rows as needed)			List of files/vouchers/other documents reviewed may be enclosed		
	Sl No	Section/Wing being audited	Nature of document	No selected for review	Percentage of selection	Sample method adopted
		Purchase/Works/Establishm	Files/Vouchers etc	(Indicate actual member selected)	(Indicate percentage for	Random/Stratified/Judgmental

	ent etc			each category)	etc
3	Whether focus areas identified and procedures applied were as planned (with reference to the plan as approved by Group Officer before commencing the audit)? If no, reasons and justification may be provided.				
4	Whether all issues marked for examination by Group Officer on supervision/Hqrs section have been addressed?			Compliance to Group Officer comments on supervision to be enclosed as per <b>Annexure C</b> .	
5	Whether all work assigned as per allocation of duties were completed? If no, provide whether the reasons and justification are provided.			Certificate as per <b>Annexure D</b> to be enclosed.	
6	Briefly indicate the potential focus areas for next audit				
7	Whether daily diaries indicating the documents/records checked by team members of the Audit Team have been prepared, signed and enclosed?			Daily Dairy as per <b>Annexure E</b> to be enclosed for each member	
8	Whether a certificate of obtaining sufficient and appropriate evidence (key documents) for the audit observations included in the Draft Inspection Report has been provided?			Certificate as per <b>Annexure F</b> to be enclosed	
9	Whether the key documents have been referenced in the para and the source of evidence has been provided as footnotes?				
10	Please indicate the position of outstanding paras of previous Inspection Reports as under				
	Period of Inspection Report	No of paras outstanding (opening)	NO. of paras outstanding (closing)	Reasons for the paras remaining outstanding	
	1	2	3	4	
11	Whether a certificate that the audit was conducted in accordance with the CAG's Auditing Standards 2017 has been provided?			Certificate as per <b>Annexure F</b> to be enclosed	
12	Whether a certificate that the audit party has complied with the Audit Quality Framework and Code of Ethics has been provided?			Certificate as per <b>Annexure F</b> to be enclosed	
Dated:				Sr. Audit Officer	

**Annexure A**

**Sample Format of Minutes/Record of Discussions at the conclusion of Audit**

Minutes of the Minutes held on \_\_\_\_\_ to discuss audit observations to be included in the draft inspection Report for the period \_\_\_\_\_ relating to the Ministry of \_\_\_\_\_/Audited Entity \_\_\_\_\_

Present:

From Ministry's side	From Audit Side

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(Note:- The minor and procedural irregularities which were noticed during the course of audit have either been settled on spot after taking assurance from the auditee or have been issue to the Ministry in the shape of Test Audit Note).

The audit observations were discussed in detail and necessary clarification, wherever sought, were given from the Audit side.

It was pointed out by Audit that initial replies from the Ministry in respect of \_\_\_\_\_ audit observation were still awaited and the same may be furnished on priority. In response, the Ministry assured to send the replies at the earliest possible.

The meeting ended with vote of thanks.

(Signature)  (Name & Designation)  From Ministry's side	(Signature)  (Name and Designation)  From Audit side
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**Annexure B**

**Performa for Duty list of each member of the Audit Team**

Duties assigned	Noted and signed (Acknowledgement)
SAO: Name 1.	
AAO/Supervisor : Name 1. 2.	
Sr. Auditor/Auditor : Name 1. 2.	

**Annexure C**

**Follow up of supervision by the Group Officer**

Name of the Audited Entity	Date of Supervision	Comments/Queries of the Group Officer	Action taken by the Audit Team on Comments/Queries

**Annexure D**

**Certificate at the conclusion of Audit**

We have examined all the issues as per the duty list (except the following) and necessary audit observations based on audit scrutiny, have been issued.

Sl. No.	Brief particulars of the issues which could not be seen in audit	Reasons therefor [non-availability of records, time constraints, shortage of manpower, other constraints/reasons] etc.



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**Sr. Audit Officer  
Annexure E**

**Dairy Diary of each member of the Audit Team**

Date	Brief details such as file number, item of work done, records seen and examined etc.

(Signature)  
(Name of the Officer & Designation)

**Annexure F**

**Certificate**

It is certified that:

- a) Sufficient and appropriate (key documents) for the audit observations included in the Draft Inspection Report have been obtained and have been submitted along with the Draft Inspection Report
- b) That the audit was conducted in accordance with CAG's Auditing Standards 2017
- c) The audit party has complied with the Audit Quality Framework and Code of Ethics

**Sr. Audit Officer**

**Annexure III  
(reference Note below paragraph 5.32)**

***Categorization of Paras in Inspection Reports  
Civil Audit***

Sl No.	Broad heading/category of para		Nature of Audit observations	
1	<b>Fraud/misappropriation/embezzlement/losses detected in audit</b>	(i)	Cases of embezzlement of cash drawn from treasury	<b>A1</b>
		(ii)	Non-accountal/misappropriation of departmental receipts i.e., non-remittance into treasury.	<b>A2</b>
		(iii)	Excess amounts fraudulently drawn by tampering with or manipulating figures in salary bills.	<b>A3</b>
		(iv)	Fraudulent drawal of GP Fund of various employees who had not applied.	<b>A4</b>
		(v)	Utilisation of departmental receipts towards expenditure.	<b>A5</b>
		(vi)	Losses to exchequer due to theft, pilferage and shortages of stores.	<b>A6</b>
2	<b>Recoveries at the instance of audit &amp; Overpayments</b>	(i)	Recovery of service payments like pay & allowances, TA	<b>B1</b>

	<b>detected in audit</b>	(ii)	Excess payment to contractors due to application of higher rates for work done, etc.	<b>B2</b>
		(iii)	Quantities of stores/works received/executed less than those paid for, resulting in overpayments.	<b>B3</b>
		(iv)	Overpayments on account of errors of computation	<b>B4</b>
		(v)	Overpayments due to application of or allowing incorrect rates.	<b>B5</b>
		(vi)	Allowing payment of charges such as carriage etc in violation of terms of agreements.	<b>B6</b>
		(vii)	Overpayments on account of excess pay and allowances or payment of inadmissible allowance.	<b>B7</b>
		(viii)	Excess payments of pension etc by Treasuries/Banks.	<b>B8</b>
		(ix)	Non-recovery of instalments towards various loans.	<b>B9</b>
		(x)	Non-recovery/Non-deduction of income tax or service tax at source.	<b>B10</b>
		(xi)	Payment of subsidies/assistance in excess of norms fixed.	<b>B11</b>
		3	<b>Violation of contractual obligation, undue favours to contractors.</b>	(i)
(ii)	Non-imposition of penalty and recovery of extra cost from contractors involved in above cases.			<b>C2</b>
(iii)	Payment of interest free advances in violation of agreement.			<b>C3</b>
(iv)	Release of key material on credit basis instead of cash basis.			<b>C4</b>
(vi)	Penalties not levied for delay in execution/completion of works within stipulated time.			<b>C5</b>
(vii)	Non-recovery of supervision charges.			<b>C6</b>
(viii)	Non-recovery of salvaged material.			<b>C7</b>
4	<b>Avoidable/excess expenditure</b>	(i)	Delay in execution of works resulting in time and cost overrun and consequent extra expenditure.	<b>D1</b>
		(ii)	Delay in obtaining custom clearance, etc for imported equipment resulting in increase in cost or payment of avoidable demurrage charges.	<b>D2</b>
		(iii)	Cost escalation due to improper and inadequate planning.	<b>D3</b>
5	<b>Wasteful/ infructuous expenditure</b>	(i)	Abandonment of works due to defective or disputed sites and structural/design defects, etc.	<b>E1</b>
		(ii)	Non-utilisation of assets created for specific purpose.	<b>E2</b>
		(iii)	Non-achievement of specific objective for which expenditure was incurred.	<b>E3</b>
		(iv)	Supplies of defective store/stock articles like time barred/substandard medicines, seeds etc.	<b>E4</b>

6	<b>Regulatory issues</b>	(i)	Expenditure incurred without sanction from competent authority.	<b>F1</b>
		(ii)	Expenditure spilt to avoid sanction of competent authority or calling for tenders etc.	<b>F2</b>
		(iii)	Expenditure incurred in excess of budget provision resulting in creation of liabilities.	<b>F3</b>
		(iv)	Execution of works or procurement of supplies without adequate budgetary provision resulting in creation of liabilities to be met from next budget.	<b>F4</b>
		(v)	Diversion of funds from one scheme to another or from one object head to another.	<b>F5</b>
		(vi)	Drawal of fund at the fag end of financial year with a view to avoid lapsing of funds.	<b>F6</b>
		(vii)	Rush of expenditure towards fag end of financial year resulting in non-exercising of financial controls/checks.	<b>F7</b>
		(viii)	Drawal of funds at the fag end of the year without immediate disbursement and their parking in either bank accounts, PLA or retention in cash/bank draft.	<b>F8</b>
		(ix)	Incurring of expenditure banned items or items of special nature without approval of competent authority.	<b>F9</b>
		(x)	Non-observance of austerity measures announced by Government from time to time.	<b>F10</b>
		(xi)	Payment of rent of hired buildings without approval or fixation of rent by Rent Assessment committees.	<b>F11</b>
		(xii)	Engagement of daily wages in violation of Government orders and payment made to them without orders of competent authority	<b>F12</b>
		(xiii)	Execution of works without obtaining administrative approval/technical sanction from competent authority.	<b>F13</b>
		(xiv)	Purchase of stores/stock in excess of actual requirements with a view to avoiding lapsing of funds.	<b>F14</b>
		(xv)	Payments made on hand receipts in contravention of Rule 200 of Public Works account code.	<b>F15</b>
		(xvi)	Execution of works in excess of estimates, unrealistic preparation of estimates.	<b>F16</b>
		(xvii)	Procurement of material/execution of works without observing codal provision of invitation of tenders etc.	<b>F17</b>
7	<b>Idle investment/idle establishment/blockade of funds</b>	(i)	Expenditure incurred on purchase of stores not required for immediate use and not put to use for long periods.	<b>G1</b>
		(ii)	Expenditure incurred on execution of	<b>G2</b>

			works/construction of buildings, etc., which could not be put to use owing to reasons which could be foreseen.	
		(iii)	Expenditure on activities/schemes which could not be completed/implemented for various reasons.	<b>G3</b>
		(iv)	Expenditure incurred on purchase of equipment including imported one's not put to use for want of trained manpower, missing spares or defective supplies or without assessing feasibility of procurement.	<b>G4</b>
		(v)	Funds advanced to various agencies for supplies or construction works retained unauthorisedly by such agencies.	<b>G5</b>
		(vi)	Payment of idle wages to staff which could not be utilized for the purpose for which appointed owing to either there being excess staff or there being no work for such staff.	<b>G6</b>
		(vii)	Release of funds for some activity without ensuring availability of adequate infrastructure.	<b>G7</b>
8	<b>Delays in commissioning of equipment</b>	(i)	Due to non-availability of necessary infrastructure.	<b>H1</b>
		(ii)	Due to trained manpower not available.	<b>H2</b>
		(iii)	Due non-availability of spare parts or accessories.	<b>H3</b>
9	<b>Non-achievement of objectives</b>	(i)	Comments on shortfall in achievement of targets.	<b>I1</b>
		(ii)	Tardy implementation of schemes.	<b>I2</b>
		(iii)	Non-fulfilment/achievement of objectives for which a programme was launched or an organization created.	<b>I3</b>
		(iv)	Non-accrual of intended benefits to targeted population.	<b>I4</b>
		(v)	Comments on mismatch between financial and physical achievements.	<b>I5</b>
		(vi)	Comments on less production/yield compared to expected production/yield.	<b>I6</b>
10	<b>Miscellaneous observations</b>	(i)	Departmental specific irregularities/ observations not covered in any of the above.	<b>J1</b>
		(ii)	Irregularities noticed in maintenance of cash book, drawal register, receipt books.	<b>J2</b>
		(iii)	Retention of heavy cash balance.	<b>J3</b>
		(iv)	Belated remittances of receipt into treasury	<b>J4</b>
		(v)	Comments/observations on maintenance of records.	<b>J5</b>
		(vi)	Comments on improper/non-maintenance of records.	<b>J6</b>
		(vii)	Comments on submission/non-submission of utilisation certificates.	<b>J7</b>
		(viii)	Non-recovery/non-adjustment of Misc. Public	<b>J8</b>

			Works advances from officers, other Govt. Departments and private parties.	
		(ix)	Non-crediting of deposits lying unclaimed for more than 3 years to Govt.	<b>J9</b>
		(x)	Reconciliation not being done with agencies supplying stores etc. where centralized system of purchase of stores exists.	<b>J10</b>
		(xi)	Non recovery of hire charges of machinery etc let out or material supplied where centralized system exists.	<b>J11</b>
		(xii)	Machinery beyond economic repairs.	<b>J12</b>
		(xiii)	Non-recovery of rent of building.	<b>J13</b>

**Annexure: 2**  
**Assigning weightage to para categories**

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



**CHAPTER -06**

**Broad Consideration for Selection of Materials for the Audit Report**

**6.1** There is no hard and fast rule in regard to the choice of the material to be included in the Reports. Sr. Audit officer will, however, keep in view following guidelines/principles in processing material for comment in the Report:

(a) Cases **involving transgression of statutory provisions, rules or orders** and other cases that have led to or are likely to lead to substantial loss of public money may be mentioned individually. A series of less important irregularities indicative of a common defect in financial control or administration may be commented upon collectively as a system review. Normally, such irregularities should not be considered for comment if adequate remedial action has been taken by the administration. The importance of an irregularity or a case of loss should be judged in the context of the scope and magnitude of a scheme or project and the conditions in which it has been implemented.

(b) Cases that are **sub-judice** or have been referred to arbitration will not be mentioned in such a way as to prejudice the claim or their defense in a court of law or before an arbitrator. Similarly, care should be exercised in referring to cases in respect of which appellate proceedings are likely to be initiated against decisions of lower courts of arbitration awards.

(c) Reports **should not normally include very old cases**. Exceptions may be made only in respect of cases that could not have come to the notice of Audit earlier and questions of principle are involved. Cases of lack of response to constructive suggestions of Audit aimed at remedying deficiencies in control systems may be commented upon, if the continuance of the unsatisfactory features is attendant with risk of fraud or loss to Government.

(d) Ordinarily, **cases in respect of which Government is taking or has promised reasonably adequate action should not be included** in the Report, unless there are any special features in a particular case that should be brought to the notice of the Legislature. The instructions contained in paragraph 7.3.23 supra may also be seen in this context.

(e) On certain occasions, it may be necessary for Audit to comment upon the manner in which the administrative authorities had discharged their responsibility of investigating serious irregularities coming to their notice and the adequacy of the remedial actions taken by them.

(f) There could be instances where cases scrutinised in audit had also been examined, at some stage, by the Finance Ministry/Department and the administrative ministry or department concerned had not followed the advice given by the former. Such instances could also be mentioned in Audit Report, along with comments, where necessary, on the adequacy of the action taken by the Finance Ministry/Department or the administrative ministry/department.

(g) **Matters of a technical nature** that have a substantial bearing on the finances of the Government should be gone into carefully. However, before these are included in the Audit Report, the Accountant General (Audit) should satisfy himself that various documents forming the basis of the audit conclusions have been gone into in depth, the technical aspects studied carefully and the remarks of the Governments have been

obtained as far as possible. Discussion with the technical officers concerned will also prove useful and facilitate proper appreciation of the issues involved.

(h) While audit is not precluded from drawing attention to the adequacy or otherwise of the disciplinary action taken in a case, it should not, as a normal rule, criticise decisions of the administrative authorities in regard to the nature or quantum of punishment imposed. On the other hand, it would be appropriate for the audit to offer comments if the disciplinary action taken in a series of cases finalized more or less continuously has obviously been extremely lenient. Similarly, marked differences noticed in the standards of disciplinary action adopted by different government departments may be brought to notice through the Report with adequate supporting evidence. Critical comments, regarding the adequacy of disciplinary action should not, however, be conveyed to Government without the approval of the Comptroller and Auditor General.

(Para 7.3.25 of M.S.O (A) 2002)

### **6.1 (A) Money value for Draft Paragraph/Performance Audit/Theme based Audit.**

The money value for individual paras for PA/TA/DP should not normally be less than Rs 1 crore. In cases of fraud also the money value should be at least in lakhs. The paras which doesn't fall in this category are to be pursued through inspection Report or Management letter as the case may be<sup>14</sup>.

### **6.2 Types of Irregularities which may be included in the Audit Reports**

The following are the principal types of irregularities which, if properly presented and subjected to the general considerations indicated in the preceding paragraphs may find place in part-II of the Inspection Report and ultimately go to audit report. This list is, however, only illustrative and as such, much will depend upon the intelligence and experience of inspecting officer of the audit inspection party.

- (i) Any negligence, manipulation in accounts, bad faith, or fraud in a monetary transaction, or in the disposal of stores or other property.
  - (ii) Any appreciable loss of Government money or property.
  - (iii) Any serious irregularity connected with a contract or heavy purchase.
  - (iv) Any extraordinary, infructuous or apparently unnecessary expenditure, such as (a) payment made as act of grace, (b) unnecessary payment of demurrage or rent and compensation paid for damage, consequent-upon some executive failure, (c) payments of heavy amounts which appear to be contrary to rules or terms of a contract.
  - (v) Any advance or large claim which has been outstanding for unduly long time.
  - (vi) Unsatisfactory working of a Government commercial undertaking.
- Note:** Small losses due to fire, in transit or other circumstances beyond the control of any responsible person need not be mentioned.
- (vii) Absence of administrative regulation or procedure to secure a proper and effective check on monetary transactions.

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<sup>14</sup> Headquarters Letter No-24/CR/Coordn/Instruction for AR/235-2017 dated 8 Jan 2018

- (viii) Any irregularity connected with grants-in-aid, such as, neglect (a) by the sanctioning authority, of the conditions precedent to the grant (b) by the grantee of the conditions to the grant by the sanctioning authority.
- (ix) Any important irregularity in the realization of revenue.
- (x) Sanction to write off an item of avoidable expenditure, such as, legal expenses incurred by Government in a case in which Government's interests are not directly involved.

**6.3** In reporting cases of financial irregularities, the actual amount involved should invariably be stated, as far as possible. But it should be borne in mind that it is more important to drive home a general lesson than to dwell upon a particular irregularity.

### **Selection and Presentation of Materials for the Audit Reports**

**6.4** Selection of materials for comments in the report should be made in accordance with the instructions contained in the para 4.47 of the Manual of Appropriation Audit Cum-Report Section.

**6.5** The drafting and presentation of material for the report should be done in accordance with the general instructions contained in the paragraph 7.3.27 to 7.3.51 of M.S.O(A) 2nd edition 2002. The Instructions contained in para 4.51 of the Manual of Appropriation Audit-cum-Report-Section should also be kept prominently in view.

### **6.6 Format of the State Audit Report**

The Headquarter Office in their letter no. 1476-Rep(s)/312 dated 24.11.2003 intimated that the Bond copy of the Audit Report would be submitted in a new format as approved by the C & AG The changes made in the new format are as under:-

- i. Chapter I (Finances of the State Govt.) and chapter II (Allocative priorities Appropriation) will be in the format supplied to all AGs (A) vide no. Report (States)/17-2003 dated 10.11.2003. These chapters will be uniformly adopted by all States from the Audit Report 2002-2003 itself.
- ii. Chapter III (Performance Reviews) will contain all reviews (including those converted into long paragraphs). The chapter will start with a short introduction about the contents of the chapter i.e. names of the reviews for Union Report included in the State Report, review on regulatory function of the government, integrated audit of working of a government department, evaluation of internal control system of a government department and review of other schemes/projects. A sub-para on recommendations should be included at the end of each review; Recommendations should be specific and should emerge from the contents of the review.
- iii. Chapter IV (Audit of transactions) will contain all draft paragraphs including the General paragraphs. Draft paragraphs of all the departments will be grouped deficiency-wise. No separate title for the paragraph is necessary except for name of the department. Marginal Gist should be incorporated in the paragraphs instead of the Top Gist. Grouping will be as under:-

- 4.1 *Fraudulent drawal/misappropriation/embezzlement Losses*
- 4.2 *Infructuous/wasteful expenditure and overpayments*
- 4.3 *Violation of contractual obligation/undue favour to contractors*
- 4.4 *Avoidable/excess/unfruitful expenditure*



- 4.5 *Idle investment/idle establishment/blockage of funds*
- 4.6 *Delays in commissioning equipment*
- 4.7 *Regulatory issues and other points*

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

- iv. Chapter V will be on “Internal Control System in Government Department”. For the Report 2002-03 the paragraphs on internal audit of one or two departments as advised vide D.O. letter No. 1158-Rep(s)/237-2003 dated 01September 2003 will be included. From next year Report, however, they should give a bird’s eye view of the internal control of the State Government followed by a review/detailed comments on the internal audit set-up effectiveness of one or two departments.

**Parameters and Weights for measuring effectiveness of various categories of audit paragraph in state Civil Audit Report**

Nature of Observations	Audit	Violation of procedure/ system/ guidelines identified	Reasons for Irregularities/Lapses/ Mistakes/ Errors analyzed	Responsibilities Located/ Recover y made	If modern technique of gathering evidences adopted @	Government responses included with rebuttal/Audit observations accepted by the Govt/Dept.	Maximum Score	Matrix Identity
i)Fraud /misappropriation/ embezzlement/losses detected in audit, overpayment accepted by department (recovered or not) that is indicative of fraud, misappropriation etc.		0.35	0.30	0.10	0.10	0.15	1.00	A
ii) Excess payments wasteful/Infructuous expenditure		0.35	0.20	0.10	0.10	0.15	0.90	B
iii) Violation of contractual obligation, undue favour to contractors, avoidable expenditure		0.25	0.20	0.10	0.10	0.15	0.80	C
iv)Idle investment/Idle establishment/ blocking of funds, delays in commissioning equipments, diversion/misutilisation of funds		0.20	0.15	0.10	0.05	0.10	0.60	D
v) Regularity issues and others		0.20	0.10	0.05	0.05	0.10	0.50	E

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

**Note:** Matrix value of an Audit Paragraph will be the money value of the paragraphs multiplied by matrix weight for the para.

### **6.7 Forwarding the Bond Copy of the Audit Report to Headquarters at Report Section Level**

While forwarding the Bond Copy of the Audit Report to Headquarters, the number of cases of fraud and corruption included in the Report together with the money value of the concerned paras should be indicated in the forwarding letter.

**All matters where Accountant General is required to make correspondence with State Govt./other agencies.**

Further instructions in this regard will follow as and when found necessary.

[Vide O.O.No. OAD (M)-F&C-49 dated 16.01.2007]

### **Processing of Paragraphs in the Headquarters Office**

**6.8** Cases of important financial irregularities worth consideration for the report may be received in the headquarters section from two sources, viz. (i) the Inspection Reports of draft paragraphs prepared by the Inspecting officers and Assistant Audit Officers in respect of the important irregularities noticed by them during local audit and (ii) intimation regarding losses and defalcations etc., received from the local offices and Government departments. These materials should be treated and processed in the headquarters' section in the manner indicated in the succeeding paragraphs.

**6.9** As soon as the Inspection Reports are finally approved by the Deputy Accountant General/Sr. Deputy Accountant General, AMG-II, the draft paras submitted by the Assistant Audit officer/Inspecting officer as well as other important cases marked out for noting in the "Register of draft paras" should at once be recorded therein with sufficient details quoting the seriatim of the register at the top of the para. The relevant paragraph should be filed separately (there should be only one file in respect of all such paragraphs for one complete year) and examination started with a view to making sure whether they are complete in all respect. Where any further particulars are found necessary for proper development of the materials, the matter should immediately be taken up with the local office concerned as well as with the Assistant Audit officer and the Inspecting officer who has audited the accounts and edited the report. All correspondence relating to such cases should be demi-official and given top priority. Regular reminders should be issued to avoid all delay in preparation and processing of the paragraphs.

**6.10** On receipt of all necessary information for proper presentation of the case, draft paragraphs should be finalized within the shortest possible time by D.P. cell. They will examine the paragraphs and advise what further information is necessary before the case can be developed into a proper draft paragraphs for inclusion in the Audit Report. The D.P. cell section will also advise about the processing and drafting of the paragraph in accordance with the instructions received from the Comptroller and Auditor General from time to time.

**6.11** Cases emanating from the reports regarding losses, sanction to write off, avoidable expenditures, or payment of compensation, demurrage or rent etc., consequent upon some executive failure, should also be similarly processed and taken up at higher levels demi-officially with a view to ensure presentation of draft paras as expeditiously as possible. Special steps should be taken to reduce all avoidable delay.

### **Report to the Government**

**6.12** After approval by the Accountant General (Audit), the draft paragraph should be sent demi-officially to the Administrative Departments of the State Government (along with a key statement), with a request to send their comments, if any, within six weeks from the date of receipt. Copies of the letters and draft paragraph should, at the same time, be forwarded to the Finance Department of the State Government for information.

(Authority: Government of Bihar, Finance Deptt. Memo no. A.R. 2/52/4982 dated 8.5.52).

**6.13** After such modifications as may be considered necessary by the Accountant General (Audit), in the light of the explanations received, within the prescribed time from the Administrative Department and the Finance Department of the State Government, the draft paragraphs, in their form should be sent to the Report Section for incorporation in the Audit Report. The final paragraph as approved by the Accountant General (Audit) should also be communicated to the Administrative Departments and Finance Department of the Government.

### **Reply of Government on Draft Para**

**6.14** The audit observations marked as Draft Paragraph contain reply of individual audit unit but these replies should not be cited in report. Therefore, the reply of Government (not the reply furnished by the auditee unit at Draft Inspection Level) is to be invariably cited in the draft paragraphs at bond copy level. In case where Government reply is not received despite constant pursuit the same may be mentioned in the para. In case where reply of Government is received the same should be suitably rebutted after careful examination of records<sup>15</sup>.

### **Inadequacy of Financial or Account Rules**

**6.15** Cases of inadequacy of rules or absence of administrative regulations sufficient to secure a proper and effective check on monetary transactions are subject matter for comment in the audit report (vide Annexure II of M.S.O. (Audit). If the inclusion of such cases be approved by the Accountant General (Audit), they should be entered in the Register of Financial irregularities and dealt with in the same manner.

**6.16** When there is much delay on the part of the local Government in issuing any financial or account rules suggested by the audit the fact should be suitably mentioned in the audit report, unless the Accountant General (Audit) considers that rules to be framed are not so important as to cause any serious loss of efficiency or is satisfied that there will be no further delay. The causes of delay should be clearly stated, specially, in those cases, where it would be unfair to comment without indicating the causes.

### **Outstanding Audit Observations and Inspection Reports**

**6.17** The materials relating to "outstanding audit observations and Inspection Reports" are to be supplied to Report Section for inclusion in the Civil Audit Report. These materials should be based on the annual or half yearly statement of outstanding audit observations and Inspection Reports to various departments. Reference to the no. and date of the letters with which such reports were sent to the department should be mentioned as a key to the materials supplied to Report Section. This will obviate correspondence regarding details at latter stages.

**6.18** The para on "Outstanding observation" should be processed in the manner prescribed in CAG's letter no. 273-Rep./82-75 dated 01.03.1979 and that on "outstanding Inspection

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<sup>15</sup> Headquarters Letter No-24/CR/Coordn/Instruction for AR/235-2017 dated 8 Jan 2018

Reports" should be processed in the manner prescribed in CAG's letter no. 801-Rep./82-75-II dated 12.6.79.

(Authority: O.O. No. A.A.-Rep/80-81/173 dated 17.8.81).

### **6.19 The Potential Draft Paragraphs Register**

This should be closed monthly with an abstract and put up to the Group officers/AG for review by AMG-II D.P. cell.

### **6.20. Non production of records**

In the case of non-production of records, the Inspecting officers should discuss with the Heads of the offices specifically the matter regarding non-production of records during local audit and incorporate the result of such discussion in the Discussion Note and also incorporate a para on this subject in Part II-A of the IR.

(Authority: AG's orders dated 9 Sept. 1996 and AG (AU) I-P-Misc. 545 dated 2-4-96)

### **6.21 Test-check of Inspection Reports by the Accountant General (Au)**

The controlling Section should submit a monthly report on IRs received during the preceding month to enable the Accountant General (Audit) to select IRs for review. This item should be included in the sectional Calendar of Returns for proper watch.

### **6.22 Delays in Issue of Inspection Reports**

A report on issue of inspection report in respect of audit conducted in previous month should be submitted to AG through Group Officer on 7th of every month. This should also be entered in the Calendar of Returns of AG's Secretariat.

### **6.23 Better/Close Functioning of DP Cell/Vetting Section/Report Section**

The Sr. AO (DP Cell) should obtain each month the number of part II A paras proposed by the vetting section and put up this position to the Group Officer. Similarly, the AMG-II (Hqrs) Section should obtain a feedback about the quality of Inspections carried out by the audit parties as per the programme finalized by them. This information should be utilized to examine possible changes in the composition of parties for inspections programmed during the current or future quarters. The Sr. Audit Officer (Report) should also similarly keep contact with the Sr. AO (DP Cell) to ensure smooth flow of the report material throughout the year.

### **6.24 Statement of Allotment and Expenditure**

Statement of allotment and Expenditure obtained by the parties should be checked with reference to allotment register and Govt. orders. It should be critically examined and suitably commented upon.



**CHAPTER-07**

**General Principles and Process of Audit of the Accounts of the Civil Offices**

**7.1** The general principles and method of the audit of initial accounts of civil offices are given below. They are only explanatory of, and supplementary to the rules and instructions in C&AG's Manual of standing orders (Audit) and other appropriate codes issued by the Comptroller and Auditor General.

**7.2** The Primary objects of local audits and inspections are to ensure that the original data on which the accounts are rendered to the Sr. Audit officer and on which his audit work is based are correct and complete. All possible attention should, therefore, be paid to this object of local audit and inspections. It should also be ascertained whether the Treasury Rules or Financial Rules are properly followed by the Departmental officers.

**Preliminary Review**

**7.3** Immediately after taking up an audit, all account registers and records for the entire period covered by the audit should be generally examined with a view to seeing that (i) they have been written up-to-date, are complete in all respects and are susceptible to audit, (ii) they have been maintained in accordance with the prescribed rules, and (iii) the writings do not indicate any attempt to tamper with the records or to evade the requirements of rules. The recorded transactions should be reviewed intelligently and the abnormal and doubtful features investigated in detail.

**Audit of Cash Book**

**7.4(a)** The arrangements for drawals of cash from Treasury, realisations from other sources, and for the safe custody, disbursement and accounting of the cash should be generally examined with a view to seeing that they are in conformity with the prescribed rules. In addition to the above, it should be seen that:-

- (i) The receipts of cash shown in the counterfoils of Receipt Books as well as the cash drawn from the Treasury on bills have been properly accounted for;
- (ii) The receipts which should have been remitted in to the Treasury have been so remitted in full and without undue delay.

**Note:** The checks indicated against (i) and (ii) above, should be conducted with reference to the original Treasury records and to the extent prescribed in the secret memo of instructions on the extent of audit. The quantum has to be increased suitably in case of local audit of Departmental offices (other than bodies or organisations such as Regional Provident Fund Commissioner etc. for which specific quantum of audit checks have already been prescribed) where there is no adequate internal check by an internal check organisation set up for the purpose and where the standard of Departmental control appears to be poor or the prescribed checks disclose any serious lapse, trend or embezzlement.

(Authority: C&AG's letter No. 4120-TA. I/656-68 dated 10.10.68 and I.'s letter No. 785-TA I/656-68 dated 29.4.70)

It would be adequate if the checks are confined to selected months only in the case of department/office having effective internal checking machinery normally.

(Authority: C & A G's secret letter no. 1234/ TA. 1/656-68 dated 3.7.70)

- (iii) all payments are supported by vouchers and are complete in all respects; the cash book has been maintained properly and is closed and balanced on the prescribed dates;

- (v) all transactions have been entered in strict chronological order and that the postings are kept up-to-date;
- (vi) the totals are correct and the balances have been correctly worked out;
- (vii) the head of the office has furnished a certificate to the effect that he has verified the cash balance by actual count at periodical intervals;
- (viii) the expenditure shown in the permanent advance column justified the retention of the full amount of the permanent advances;
- (ix) no expenditure has been incurred in excess of permanent advance by spending from departmental receipts, which constitutes a serious irregularity, and there is no tendency to keep an unduly large cash balance in hand and that the cash in hand of the cashier is sufficiently covered by his security deposit, as required under rules 434, 435 of Bihar Financial Rules vol. I and chapter X of Bihar Boards Miscellaneous Rules 1958 or other departmental codes and Manuals.

**7.4 (b)** Audit of the accounts of Government Elementary schools taken over by the state Government under provisions of Bihar non-government Elementary School (taking over of control), Act 1976, instructions regarding scrutiny of accounts in course of local audit.

In addition to the usual audit check, the following points may be examined during the local audit and result thereof may be suitably incorporated in the draft inspection reports:

(i) Under the provisions of the Bihar Government Elementary schools (taking over of control) Act 1976, all immovable and movable property/assets of the School taken over by the Government, vested in the state and were deemed to have been transferred to it under section 41(i) of the Act;

The assets and property of schools taken over by the Government should include, i.e. Land, Building, cash deposits in Bank and Treasuries, investments, moneys standing in the general provident fund/contributory provident fund of the teaching and non-teaching employees, stores, stock, teaching aids, laboratory equipments etc.

During audit it may be examined whether:

- (a) All movable and immovable property and assets of the elementary schools taken over by the state Government under the Act, have actually been taken possession by the school/state and have vested in the state.
- (b) necessary legal formalities for transfer of immovable property from private hands to the state have been complied with and transfer to and in vesting in of these properties in the state have been taken cognizance of and recorded in the relevant revenue records and records of schools.
- (c) All the transactions of the schools that were deemed to be transferred to and vested in the state have been fully and correctly accounted for under the proper head of accounts of the relevant Government accounts.
- (d) The moneys standing to credit of provident fund of teaching and non-teaching employees of schools taken over by the Government under the Act were also to be credited to the accounts of the Government. The total of the Government's/ employee's contribution to the contributory provident fund of teaching and non-teaching employees of the schools plus interest accrued thereon was to be credited to the appropriate receipt head under consolidated fund of state. The actual position may be examined and comments made.

- (e) Besides above, the nominal audit may be conducted very carefully after obtaining the actual sanctioned strength of the schools and carefully examine the date from which staff of schools were appointed before taking over by Government and comments made.

The points ibid should be examined during the audit of the non-Government High schools taken over by the State Government.

(i) A check may also be exercised in respect of liability at the time of vesting. The vetting section while editing the draft inspection reports of such non-Government schools would examine the performance of the field parties during local inspection and shortcomings, if any noticed in respect of the points as mentioned above in their reports may be brought to the notice of the Group officer before it is approved for issue.

(ii) The vetting section may also examine the past inspection reports in the light of the above instructions and if no such comment has been mentioned in the report, the matter may be taken up with the authority concerned and compliance may be watched from Head quarter. A report of such shortcomings may be put-up to the Group Officer along with names and other details of the party personnel which conducted the audit of such schools during the last quarter and they may be asked to explain the reasons under which they could not make such comments in the reports.

(Authority: O.O. No. OAD (M)-Conf.-Edn.-34, dated 20.1.86).

**7.4 (c) Scrutiny of Cash book with Bank details of saving bank accounts, Current Accounts and Personal Deposit Accounts/ Personal Ledger Accounts maintained by Auditee Unit during audit of each Auditee Unit during audit of each auditee unit.**

ADAI (CR) has directed that during audit of each auditee unit, the Audit Party should examine/scrutinize the Bank Details of all Savings Bank Accounts, Current Accounts and personal deposit Accounts/Personal Ledger Accounts maintained by Auditee unit with cash book maintained by the Auditee Unit. During examination of bank details and cash book maintained by the auditee unit, discrepancy, if any, comes to the notice, the same may be incorporated in the Inspection Reports.

General examination of cashbook is conducted to ensure that it is being maintained properly in the prescribed form and the provisions of the rules in this regard are being observed. It should be seen inter alia that-

- (i) The totals of the cashbook if not checked by the officer-in-charge of the cash book are verified by a responsible subordinate other than the writer of the cashbook who initials it as correct.
- (ii) Bank reconciliation statement has been prepared by the auditee unit in each month.
- (iii) There are no erasures or interpolations and that errors are rectified properly.
- (iv) Adequate security as envisaged in Rules in respect of the cashier has been obtained, accepted by competent authority and relevant document kept in the safe custody of the department.
- (v) A complete account of the permanent advance held, if any, is available in the cashbook, full details of the cash in hand and unrecouped vouchers are being worked out and clearly recorded whenever the cashbook has been closed.

- (vi) Full details of the money (other than permanent advance) held in the cash balance are also worked out and recorded in the cash book whenever the cashbook has been closed.
- (vii) In case of undisbursed amount of pay and allowances, if paid in cash, the dates of their withdrawals are recorded and no item is held in hand undisbursed for more than three months.
- (viii) There is no evidence of removal of or tampering with the pages of the cashbook, and that its pages are duly machine numbered; that the certificate of the pages contained in a cashbook is recorded under the signatures of the head of the Office in the fly leaf before bringing the same in use
- (ix) When the cashbook is closed at the end of the financial year, it is to be seen that the permanent advance is fully recouped and does not exceed the sanctioned amount of the advance.
- (x) In case of annual audit of accounts having annual periodicity, in addition to the detailed check of accounts of the month, arithmetic accuracy of cash book should be checked for one more month selected as heretofore, at random. This should include checking of the opening balance for proper carry forward from the closing balance of the months selected for the scrutiny to the next month. In the case of biennial or triennial audits and audit in arrears, checking of arithmetical accuracy of the cash book may be confirmed to two months selected for test check.

(Authority- O/o C&AG of India vide letter no. 1474/CR/Coordn. /Instruction for AR/235/2017 dated 15/11/2017)

**7.5** The state govt. has laid great stress on the procedure regarding verification of remittances with the original records of Treasury or the Bank as envisaged in rule 86(v) of the Bihar Treasury code, vol.-I, and have impressed on all drawing and disbursing officers the paramount importance of the strict observance of the above rule with a view to ensure that all amounts shown to have been remitted to Treasury or Bank, have actually been credited.

### **Accounting of Non-Government Money**

**7.6** Where under any special sanction, a government servant deals with both government and non-government money in his official capacity, the Government money should be kept in a cash book quite separate from the non-Government money and the transactions relating to the latter should be accounted for in “separate set of books and kept entirely out of Government account.

**7.7** It should, therefore, be seen in audit that the accounts of non-government money have been maintained in a set of books separate from the Government accounts and that Government money has not been mixed up with, but kept separate from the non-Government money.

### **Audit of Receipts**

**7.8** The various processes and stages of collections and accounting of receipts should be intelligently examined with a view to ensure that there is no ‘Weak’ points in the system which may lead to commission of irregularities and leakage of revenue. The main points to be examined are that:

- (i) all sums are received and checked against demands;
- (ii) the demands are punctually and fully raised;
- (iii) receipts in proper form are issued for all amounts received
- (iv) the remissions granted are supported by proper sanctions



- (v) all sums received have been brought to credit in Cash Book and the subsidiary registers and remitted to the Treasury in full and without undue delay and
- (vi) the departmental receipts are not appropriated to meet departmental expenditures, unless so authorised by the Treasury or the Departmental Rules.

***It should also be seen that:***

- (i) Adequate rules and regulations have been framed for the imposition and collection of revenue.
- (ii) There is a proper Demand Register in which all demands falling due periodically under such rules and regulations are noted and their recovery watched and
- (iii) Where the demand is not ascertainable, receipts are issued by carbon process to parties paying money.

**Receipt Audit in respect of Non-tax receipt**

**7.9** The Headquarters office has stressed on the importance of audit of non-tax receipts in respect of the departments such as agriculture, health, education etc. It has been desired that as much attention be paid to the audit of receipts of the aforesaid nature as to the stores and expenditure aspects in course of audit of offices of the said departments.

Accordingly, it has been instructed that AMG-II Field parties may draft paras in respect of receipts of 0210-medical, 0401-Agriculture, Animal husbandry and Co-operative, Food, Civil supply and consumer Affairs, ST SC Minority and Backward class, Rural Development, Panchayati Raj Institution, Water Resource, Women, Child Development and Social Security and other administrative receipts items (non-tax) on the basis of objections raised in local audit and may draw up inspection reports in two parts (not two IRs) one part for expenditure audit and other part receipt audit.

(Authority: C&AG.'s D.O. No. 813/Rec-A IV/ 74-75, dated 03.11.1976 and O.O. No. OAD (M)-124/ 82-83/11/46 dated 18.10.82).

**Audit of Receipt Books**

**7.10** The stock account of Receipt Books should be examined to see that:

- (i) the total number of blank Receipt Books received agrees with the indent or requisition sent to the press or other authorities and that all such Receipt Books are kept under lock and key by a responsible officer;
- (ii) the number of receipt forms contained in each Book is recorded on the covering page, under the initial of a responsible officer and that all the forms are machine numbered.
- (iii) only one Book is issued at a time to an individual officer and that too on return of the previous used-up Book.
- (iv) the issue of Receipt Book and the return of a used-up Book are duly recorded and acknowledged.
- (v) where a receipt form has been cancelled both the original and the duplicate copies are available in the Receipt Book and
- (vi) the closing balance in the stock account has been verified by the Head of the office, by actually counting the number of Receipt Books in hand, and a certificate to that effect has been recorded in the stock account. A similar verification should be done by Auditor as well.

### **Audit of Expenditure**

**7.11** Before commencing this audit, all financial rules, delegation of powers and orders affecting expenditure should be carefully scrutinised with a view to see that they do not conflict with the financial and Treasury Rules or orders of any higher authority. Thereafter all payments should be checked with vouchers and it should be seen that: -

- (i) the sub-vouchers for ₹ 1000 or less which are not required to be sent to the Accountant General's office are kept on records after proper cancellation so that they cannot be used again;
- (ii) the entries of payments in the account records have been properly vouched and initialled by the disbursing officer after proper examination;
- (iii) that there is proper sanction, either special or general, accorded by the competent authority, authorising the expenditure;
- (iv) that the payment has been made to the proper person and that it has been so acknowledged and recorded that a double payment on the same account is impossible;
- (v) that all stores paid for have been properly accounted for in the various stock and stores Registers;
- (vi) that the charges do not exceed and rates or scales fixed under the rules or orders issued by a competent authority
- (vii) that the expenditure has been incurred with due regard to financial propriety, e.g. there is no waste or extravagance, supplies obtained are not in excess of requirements, the purchases have not been made at excessive rates and the expenditure has been incurred only for legitimate objects etc.
- (viii) that open competitive tenders have been invited as enjoined by the rules for supply of articles required for the public service and in case of non-acceptance of the lowest tender, the reasons therefore have been duly recorded in writing and the contract agreements have been promptly executed by the competent authority, and
- (ix) that the expenditure on contingencies, work etc. are properly regulated according to the financial rules, they have not been incurred merely to prevent the lapse of budget grant, there is no undue rush of expenditure towards the close of the financial year, and the charges incurred in one year have not met from the budget allotment of the next year.

### **Audit of Bill Register**

**7.12** Check the Bill Register to see that: -

- (a) it has been maintained in the prescribed form and all the columns provided therein have been properly filled in;
- (b) all bills drawn have been entered in the Register date wise and the entries duly endorsed by the drawing officer in each case, under his dated signature.
- (c) in case of bills endorsed to parties, see that they have been entered in the Register and a note to this effect has been made there in;

- (d) all bills have been cashed and treasury vouchers number and date have been noted
- (e) in case of cancelled bills, a note to that effect has been made in the register; and
- (f) all bills shown as cashed have been promptly accounted for in the Cash Book as well as Subsidiary Registers,

### **Audit of Contingent Vouchers**

**7.13** The Auditors should see in addition to the points mentioned in paragraph 7.11 that: -

- (i) the sub-vouchers contain pay orders signed by the competent authority and they are supported by the actual payee's acknowledgements with date of payment;
- (ii) the details given in the sub-vouchers agree with the entries in other registers or records maintained in the office e.g., the number of days for which witnesses are paid should agree with the number of days of attendance in court as noted in the witness Register of the court;
- (iii) the details work up to the totals, and the totals are in words as well as in figures;
- (iv) each alteration in the figure has been attested by the authority authorising the payment, with the dated initials;
- (v) the sub-vouchers have been duly cancelled or defaced; and
- (vi) revenue stamps have been affixed to payee's receipts on all vouchers for sums exceeding Rs. 5000 and that they have been defaced.

### **Audit of Contingent Register**

**7.14** The entries in the Contingent Register should be checked with sub-vouchers where available, and the propriety of the expenditure scrutinised with reference to the relevant rules. It should further be seen that: -

- (i) each entry is initialled by the drawing officer,
- (ii) they are correctly entered in the classification columns,
- (iii) the total of the entries of sub-vouchers agree with the total of the Contingent Bill drawn,
- (iv) the total expenditure during the year under each head of classification does not exceed the allotment noted at the top of the respective column, and
- (v) the details of stores and other articles purchased, as entered in this register, for which no sub-vouchers are available, agrees with those shown in the Stock Book or other registers or records maintained in the office. The total of the bills drawn in Contingent Register, should also be checked;
- (vi) the relevant rules of the Jharkhand Treasury code, vol.-I have been properly observed.

**Audit of Establishment Pay Bill**

**7.15(A)** The audited and passed pay bills obtained from the main office, should be checked with reference to the Register of Acquaintance Rolls and Cash Book maintained in the local office. It should be seen that: -

- (i) the names of the persons and their pay and allowances shown in the office copy of the bills as well as in the acquaintance roll correspond with those shown in the audited copy of the bill;
- (ii) the absentee statements attached to the audited copy tallies with that enclosed with the office copy of the bills and
- (iii) the total amounts shown in the office copy as well as in the audited copy of the bill agree with each other.
- (iv) the details in absentee statement are correctly shown with reference to service books, leave accounts and other records,
- (v) proper acquaintance exists in all cases, duly stamped wherever necessary;
- (vi) Postal carbon receipts and money order acknowledgments exist in respect of amounts shown as remitted by money orders;
- (vii) the thumb-impression of the illiterate payees have been properly attested by a responsible officer of the department;
- (viii) the amount remaining undisbursed for more than three months are refunded into the treasury either in cash or by short drawal in the subsequent Bills.
- (ix) where the amounts are withheld but drawn subsequently in supplementary bills, references are quoted in the Register,
- (x) certificate of disbursement as required under Rule 289 of Bihar Treasury code, vol. I exists at the foot of the acquaintance roll;
- (xi) the Register of Acquaintance Rolls bears the dated initials of the drawing officer at the time of drawing the bills and the disbursing officer after disbursement of the amounts
- (xii) disbursement made have been duly accounted for in the cash book and the subsidiary register and
- (xiii) the rates of pay, leave-salary and other allowances drawn are correct.

**7.15(B) Check of Fixation of Pay of Government Servant**

In accordance with the decision contained in Comptroller & Auditors General's letter No. 117-T.A. 1/785-63 dated 21<sup>st</sup> March 1968, the correctness of pay and increments drawn by Government servants from time to time for the period to which the check of the service books relates should also be checked in service books selected for scrutiny during local audit.

In this connection, the following instructions are issued.

- (a) Any pay fixation arising out of general revision of pay scale will be checked by special pay fixation parties constituted for the purpose. Such pay fixation need not, therefore, be checked in local audit by AMG-II parties.
- (b) the fixation of pay in non-gazetted posts in respect of officials officiating as gazetted officers and pay fixation done by audit office while admitting

supplementary claims or on any other occasion need not be checked, only pay drawn thereafter is required to be checked.

- (c) A certificate should be recorded in the service Book to indicate that pay allowed from time to time (period to be mentioned) has been checked.

**7.15 (C)** In terms of C&AG's letter dated 24.04.82, the pay bills of gazetted officers whose pay and allowances are drawn on establishment bill without issue of pay slip by the Accountant General, nominal checks of these vouchers shall also be conducted during local audit in the same manner as nominal check is being conducted in respect of other establishment vouchers.

**7.15 (D)** Further, while selecting service books for scrutiny in accordance with prescribed percentages that is 25% in case of annual audit, 50% in case of biennial audits and 100% in the case of audits of longer periodicity as the case may be, the selection should be so arranged that they also cover cases of 20% of (a) the cases of the increments sanctioned to the member of the establishment of the office under inspection and (b) cases of Fixation of pay on promotion/reversion during the period covered by audit, should be checked.

(Authority: O.O. No. OAD (M)-129/1980-83/45 dated 20.9.82).

**7.15(E) (i) Audit of Vouchers relating to Over Time Allowances**

Consequent upon transfer of audit of vouchers in respects of overtime allowances from central audit to local audit, AMG-II. field parties have been directed to bestow special attention to the audit of vouchers of this nature.

(Authority: Circular no. OAD-I-129/82-83/48 dt. 15.7.82).

**(ii) Audit of Scholarship/Stipend Payments**

The Comptroller and Auditor General of India has ordered discontinuance of central audit of vouchers of scholarship payments with effect from April, 1982 onwards. It has been ordered that the vouchers relating to scholarship payments should be checked, as part of the audit processes, during the local audit of departmental offices. AMG-II field parties may, in course of audit of departmental offices, subject payments of scholarships relating to one month in each financial year to audit, even though payments would have taken place in different months. The field parties have also been instructed to ensure that a proper system exists in departmental offices for keeping a continuous record of all such payments and that acquaintance have been received and filed.

(Authority: Circular No. OAD-129/82-83/50 dated 9.2.83).

(Note- For further details, para 3.5.23 to 3.5.26 of M.S.O(A) 2<sup>nd</sup> edition 2002 may be referred to)

**7.16 Audit of T.A. Bills**

(i) As the responsibility of Audit in regard to checks exercised by controlling officers in T.A. Bills has to be discharged by the occasional test check, audit should check a few specimen cases at the time of local inspection of Government offices to ensure that the duties assigned to controlling officers are properly exercised by them, and draw attention to any case that may come to notice in which the controlling officer did not discharge the responsibilities assigned to him. For this purpose, the T.A. vouchers for the month to be test checked is selected by the AMG-II section every year and intimated to the Asstt. Audit officer by the AMG-II section.

(Based on C&AG's letter No. 478-A 11/72/ Admn. II/59 dated 8.5.1959).

Note:- Further details are laid down in paragraph 3.2.15 to 3.2.18 of M.S.O(A) 2<sup>nd</sup> edition 2002.

### **7.17 Audit of Stores Accounts**

(i) Store and stock Accounts:

The Audit of stores accounts shall be directed to ascertaining that the departmental regulations governing purchase, receipts and issue, custody, condemnation, sale and stock taking of stores are well devised and properly carried in to effect.

As regards purchase of stores, it should be seen

- (i) that they are properly sanctioned, are made economically and in accordance with any rules or orders made by competent authority for purchase of stores required for the public service and in particular when stores are purchased from contractors the system of open competitive tender is adopted and the purchase is made from the lowest tenderer unless there are recorded reasons to the contrary;
- (ii) that the rates paid agree with those shown in the contract or agreement made for the supply of the stores, and
- (iii) that orders for purchase have not been split up as to avoid the necessity for obtaining the sanction of higher authority required with reference to the total amount of the orders.

**Note:** Audit may call attention to cases of uneconomical purchase of stores and to any losses which may be clearly and definitely attributed to the defective or inferior nature of stores which were accepted and certified to be satisfactory in quality.

**7.18** The account of stores should be generally examined to see:

- (i) that they are kept in the prescribed form.
- (ii) the entries of receipts and issues are made in them regularly that issues are supported by proper authority and acknowledged by the recipients and that balances worked out are correct;
- (iii) that the accounts of balance which were audited in the previous audit have been produced complete in all respects, that no entries in them have been tampered with, balance as per previous accounts have been correctly carried forward to the accounts under scrutiny and that at the closing there exists a certificate of check of balances;
- (iv) that stores are periodically counted, weighed or otherwise examined by some responsible officials other than the custodian of stores or his subordinate wherever possible, and verified with the balance in the stock books and that necessary action has been taken to adjust the shortages noticed;
- (v) that there is no unnecessary accumulation of stores;
- (vi) that adequate action has been taken for the disposal of surplus, obsolete and unserviceable stores;
- (vii) In addition to the above checks information on the following points should also be collected:

- (a) In respect of stores, stocked in excess of requirements leading to blocking up of Government money, a list of such stores indicating the date of purchase and value should be obtained duly attested by the officer-in-charge.
- (b) Rules require that maximum limit should be fixed by the competent authority. Authenticated information should be obtained regarding the authority fixing the maximum limit, copies of the Government order if any, in this regard should also be obtained.
- (c) As regards the basis on which the maximum limits are prescribed, copies of the government order detailing the basis should be obtained as well as the actual manner in which it is prescribed should be ascertained from the departmental officer in writing.
- (d) Where no basis has been prescribed by any authority, in regard to the manner in which maximum limits were prescribed, the average of the actual consumption during the previous three years may be taken as the fair basis and the quantum of the surplus stock worked out.

**Note:** Although the overall position of stock may be considered as satisfactory, some of the parts comprising the overall stock may remain stagnant and unmoving, thus resulting in the blocking of government money. This aspect should be carefully borne in mind while conducting this audit.

#### **7.19 Audit of Tenders and Contracts**

- (a) The Inspecting staff should particularly see that the tenders have been invited after proper publication of notice for all heavy purchases of stores. The original tenders should be examined and compared with the comparative statements and the agreements finally accepted and cases of alteration of figures, overwriting and unauthorised alterations of the tendered rates or other terms specified in the tenders should be specially investigated and the result mentioned in the inspection Report.
- (b) The Inspecting staff should also see that wherever necessary, the indenting officers have consulted the Indian Stores Department or other Government Supply Depot when calling for tenders.

The files for contract agreements should be scrutinised to see: -

- (i) that the tenders are invited in the most open and public manner and that satisfactory reasons are recorded for accepting a tender other than the lowest,
- (ii) that contracts are executed either on standard forms or on special forms prepared in consultation with the law officers of government, and that the terms are precise and definite and there is no ambiguity or misconstruction therein
- (iii) contracts are sanctioned by the competent authority and that the terms once entered into are not varied without special and proper sanction;
- (iv) in case, where a formal written contract is not made, it should be seen that the order for supplies or for execution of works is not given without at least a written understanding as to price or rate at which payment is to be made;

- (v) In respect of payments under contracts, it should be borne in mind that sales tax is a tax on sales and not on purchases and there is nothing in the law to make this necessarily payable by the purchaser. Therefore, local audit has to see that (a) GST has been paid only when it is payable, (b) wherever, GST is paid by Government on the purchases made, (1) the relevant contract of purchase includes a specific provision for the payment of GST and (2) even with the tax, the purchase has been made on favourable terms by Government vis-à-vis other contending suppliers.

(Authority: Endorsement No. 2434/Admn.I/ 628-64 dated 18.12.1954 and No. 1230-Admn. I/ 628-54 dated 28.6.55 from C.&A.G.)

### **Audit of Security Deposits**

**7.20 (A)** It should be seen that:

- (i) security is taken, in accordance with the rules, from all persons entrusted with the custody of cash or stores;
- (ii) the security deposits are covered by a proper bond or agreement setting forth the conditions under which the security is held;
- (iii) Govt. paper tendered as security is taken at its face value or market price, whichever is less at the time of its deposit, and that a readjustment is made if there is subsequent appreciation or depreciation in values as prescribed by rules;
- (iv) the register of receipts and disposal of security deposits is properly maintained, all entries since last audit are correct, and specially that acknowledgements of depositors for return of securities exist in all cases;
- (v) the register as well as the securities are examined at least once in a year by a responsible officer of the department;
- (vi) either the securities or the acknowledgements of their authorised custodians are produced for inspection as required under the Security Manual;
- (vii) the Post Office Savings Bank Pass Books are hypothecated to the head of the office and are kept in his custody.

### **Audit of Deposit Transactions**

**7.20 (B)** In the light of CAG's instructions, AMG-II. Field parties have been directed to ensure exercise of thorough and proper audit checks of deposit transactions which might have taken place during the period under audit in course of local audit of all offices including treasuries.

(Authority: O.O. O.A.D. (M)-124/85-86/35, dated 5.3.86 and CAG's letter No. 644-Audit II/141-85 dated 16.5.85)

### **Check of Permanent Advance**

**7.21** Sanctions to permanent advances are scrutinised in audit to verify that:

- (i) these have been sanctioned by a competent authority;
- (ii) advances have been sanctioned only for a subordinate office and not for the office of the sanctioning officer;
- (iii) amounts sanctioned as permanent advances do not exceed the ceilings prescribed by Government for the offices concerned or the powers delegated to sanctioning authority;



- (iv) the advances sanctioned is not more than what is absolutely necessary and is based on the average monthly contingent expenditure in a year and
- (v) the advances have not been sanctioned repeatedly even when not necessary.  
(para 3.13.13 of M.S.O(A) 2<sup>nd</sup> edition 2002)

### **Log Books etc. relating to Government Vehicles**

- 7.22** (i) A list of staff cars, lorries, jeeps etc. in use in the office inspected should be called for and it should be ascertained whether rules and regulations regarding their use have been framed and got approved by Government. It should also be examined whether these rules and regulation are adequate and whether they are being observed in actual practice. The log book and other connected records should be scrutinised to see that
- (i) they are maintained in accordance with the rules prescribed;
  - (ii) effective control is exercised over the use of the vehicles and the consumption of petrol;
  - (iii) the vehicles have been used under proper sanction for authorised purpose and
  - (iv) recoveries have been correctly and promptly effected in cases where the vehicle have been used for non-official purpose.

**Note:** The “staff car Rules” issued by the Government of India and the Rules issued by the state Government may be referred to for guidance.

It has been decided by the Government of Bihar that Government jeeps should not be used by officers for attending office and if they do so, they must pay for it at the prescribed rate.

(Authority: Government of Bihar, Revenue Department, Letter no. C/F-20/00/66-2715 dated 23<sup>rd</sup> September, 1966-Dy-O.A.D. (Q-1906).

### **Register of Telephone and Trunk Call**

- 7.23** In local audit, it should be seen that
- (i) In the case of private calls, necessary recovery has been made and credited to the Government. The receipts may be traced in the Cash book.
  - (ii) All trunk calls have been booked under proper authority and
  - (iii) these have been paid without delay.

Further, the bills may be checked with trunk call register to ensure that all trunk calls have been recorded and overcharging has not gone unnoticed.

### **G.P.F. Accounts for Class IV Staff**

**7.24** The departmental offices have been entrusted with the work of maintenance of G.P.F. accounts of their class IV employees. These accounts are required to be checked 100 percent during local audit. It should be seen inter C. & A. G.’s alia that

- (i) Accounts have been opened in respect of all the class IV employees who have put in one-year service;
- (ii) the rate of subscription is not below the minimum rate prescribed by Government and that the subscription is regularly recovered and credited to proper accounts
- (iii) each entry in the account is attested by the head of the office;

- (iv) the advances/withdrawals sanctioned are in accordance with the Rules;
- (v) recoveries of advances and interest thereon have been effected correctly;
- (vi) the annual interest credited to each account is correctly worked out;
- (vii) nominations have been obtained from all the subscribers, that they are in order and that they have been accepted by the head of the office and, kept in safe custody;
- (viii) cases of final withdrawals are checked thoroughly and it is insured that the payment has been made to the party concerned and proper acquaintance obtained;
- (ix) the monthly return of debits/credits and the annual return of interest figures are sent to the audit office through the head of the Department;
- (x) the account slips indicating the opening balance credit during the year, interest accrued, withdrawals if any and the balance as credit at the end of the year have been supplied to the subscribers and their acceptance obtained.

(G.I.M.E, letter No. F.52(9)-E.V./60 dated 27.7.60-C.A.G.'s letter no. 1369-AdmnIII/80-60 dated 7.7.60 and No. 1219 Admn. III/85-61 dated 4.8.61).

### **Register of Festival Advance**

**7.25.** The detailed accounts of Festival Advances granted to Government servants are maintained by the departmental offices. It should be seen, inter alia, that

- (i) the account is maintained in a register in the prescribed form and that all the columns of the register are properly filled in;
- (ii) the advances are recovered within the prescribed number of instalments;
- (iii) the balances as on 31st March are reconciled with the balance, as per the books of audit office.

### **Mortgage Bonds**

**7.26** The agreement bond and the insurance policy effected by the officers of central and state Government to whom advances for the purchase of Motor/other conveyances are sanctioned should be checked locally.

(CA.G.'s letter No. 4041-Tech. Admn. I/77-7A-13/64-K dated 13.10.65).

### **Audit of Works Expenditures**

**7.27** It should be seen that:-

- (i) estimates have been prepared and sanctioned by a competent authority;
- (ii) the unit rates of the sanctioned estimates do not exceed than those allowed in the P.W.D. or other Government offices executing works in the same or neighbouring localities;
- (iii) the rates paid are in accordance with contracts and in cases where they are not covered by contracts do not exceed the market or the scheduled rates;
- (iv) where rates for finished works are allowed to contractors, the value of any materials, carriage and incidental charges etc. are not charged to Government but recovered from the contractor concerned;
- (v) no financial aid is given to a contractor beyond that agreed upon in the contract

- (vi) in cases where contractors are allowed labour rates only or work is carried out by daily labour, arrangements exist for exercising detailed control over transactions relating to materials and for verifying the unused materials;
- (vii) the material received from dismantling old structures, etc. ; are correctly accounted for and are properly utilised in the work or suitably disposed of to the best interest of Government ;
- (viii) there is no undue delay in completing the work, and;
- (ix) the excess over sanctioned estimates are investigated and sanctioned by the competent authority.

### **Losses caused by Careless or Dishonest Accounting in Works Expenditure**

**7.28** Losses are often caused by careless or dishonest accounting in expenditure relating to works. Although audit has no approach to the actual state of affairs, and its hold on a well-planned fraud is very limited, such cases may come to light by an examination of the records with a view to see that there are no cases of the nature indicated below:-

- (i) omission to claim money due from a contractor or to afford credit in the accounts when it is realised,
- (ii) exorbitant rates in estimates for works;
- (iii) allowance of full rates to contractors when the contracts rates is for both labour and materials but the material is supplied by the department and is charged to the estimate;
- (iv) when a rate for a certain kind of work (e.g. brick work) is fixed on the assumption that the required materials will be available at a certain rate, allowance of full rate to the contractor when the department supplies the materials at a lower rate;
- (v) when the issue rate of stock is below the market rate, issue of more materials to the contractor than are actually required for the works ;
- (vi) incorrect measurements for a work or measurements paid for twice and;
- (vii) charge to work of the cost of departmental labour supplied to a contractor, instead of recovery from him.

**7.29** The above lists are obviously not exhaustive. A few checks to be exercised to detect the irregularities of the foregoing types are indicated below:-

- (i) Take up a few estimates and test check the rates by comparison with the schedule of rates.
- (ii) When an item of stock appears as issued to a contractor its value is in the ordinary course debited to the contractors' ledger account and chances of non-recovery are thus obviated. But in cases where the stock is shown as issued direct to work, it should be seen by reference to the work bill of the contractor, and also with reference to the accepted tender and agreement if necessary, whether the rate allowed is for labour only or for labour and materials both. If for the labour, then the contractor has been paid in excess by an amount equal to the value of the materials. The same test should be applied where materials are transferred from one work to another without being issued to a contractor or when materials are directly collected for a work and not passed through stock.
- (iii) Suppose the rate for brick work has been accepted at Rs. 900 per hundred cubic feet on the basis that bricks will be available at Rs. 350 per thousand.

Now if bricks are issued to a contractor from stock at the book value of Rs. 300 per thousand and the full rate for brick work is paid to him at the same time, it follows that the contractor get an unearned profit of Rs. 5% cft at the expense of the department. In this case the value of the bricks should have been recovered from the contractor at the higher rates of Rs. 350 per thousand. To detect such cases, the rates of some of the principal materials as shown in the Analysis of Rates should be compared with the stock rates and if the latter are found to be lower, a few test cases should be examined to see whether the higher or the lower rate has been recovered from the contractor for the materials issued.

- (iv) To take a concrete case suppose 4000 bricks are issued to a contractor for a particular work at a rate which is lower than the market rate, but it is found that only 2000 bricks are actually required for that work. It is true that the value of all the 4000 bricks is recovered from the contractor at the book rate but the contractor makes an unearned profit by selling the extra 2000 bricks in the open market at a higher rate. In a few test cases of articles of which the market rates are higher than the stock rates, an attempt should be made to find out by reference to the quantity required as-shown in the analysis of rates, whether more than the necessary quantity has been issued to a contractor, of course, in such cases the matter should be discussed with the Engineer in-charge who is the best judge of the quantity of materials required.
- (v) See that there is record in the Measurement Book of measurement by a higher officer of the department.
- (vi) The cost of departmental labour is sometimes omitted to be recovered from the contractor though employed on his behalf. To detect this, some test cases should be investigated where the nature of the work done by departmental labour, (e.g. rectifying defects of work) would indicate that it is possible in connection with work done by the contractor.
- (vii) To prevent excess payments through muster rolls, see that the quantity of work done is properly recorded and the quantity is commensurate with the cost incurred on the basis of the muster rolls.
- (viii) When materials are collected for buildings etc; they are not borne on any site account till the main work has been started, there may be loss on account of depreciation or other reasons. When, therefore, such collections are noticed, it should be ascertained whether adequate arrangements have been made for safe custody of the materials, and if any delay in their issue is anticipated, it should be considered whether the materials should not be brought on to the Stock Return.

### **Audit of Measurement Books**

**7.30 (a)** It should be seen that:-

- (i) the books are maintained in accordance with the prescribed rules ;
- (ii) the arrangements in force for taking measurements and for checking measurements by superior officers of the department in accordance with rules, and for recording the results of Measurements are not such as to indicate laxity of control and leave room for malpractice

- (iii) the pages containing the measurements are scored out by a diagonal line in red ink and that the abstract of measurement bears a reference to the number and date of vouchers of payment;
- (iv) the dates of measurement of any out-station work are traceable in the travelling allowance bills of the officials concerned ;
- (v) all previous payments made on the particular work are deducted from the final bill
- (vi) check a fair proportion of the calculations of the detailed measurements ;
- (vii) see that a proper register is kept for watching the issue and return of the Measurement Books ;
- (viii) see that the measurements have been recorded in a chronological order. If for example, it is noticed that the Measurements on page 100 of a measurement book were recorded after those on page 101, it would be obvious that page 100 left blank for certain period. This practice may lead to serious irregularity.
- (ix) see that blank pages or portion of pages left blank have invariably been crossed out and cancelled over the signature of the holder of the book, in order to avoid the possibility of fraudulent entries at some later date

(b) A careful scrutiny of these points has, in practice, led to the detection of fraud and over payments. If numerous instances of such irregularities are noticed, the most flagrant of them should be specially brought to notice in the Inspection Report.

(c) The standard measurements if any, on the basis of which either estimates are prepared or payments are made should be examined to see that :-

- (i) they are certified as fully checked by some responsible officer, and,
- (ii) they are brought up-to-date from time to time and that additions and alteration in the books are approved by a responsible officer of the department;
- (iii) when a payment is based on standard measurements, there should be a certificate by some responsible officer to the effect that the whole of the work (or the portion of the work charged for in the bill under examination) has been executed as per standard measurements and that it has not previously been billed for in any shape.

### **Audit of Muster Rolls**

**7.31** It should be seen that:-

- (i) the attendance is taken daily and record of attendance is checked at intervals by a responsible officer;
- (ii) the disbursements are not entrusted as a rule to officials of low standing ;
- (iii) the officer making the payment is not the same as that controlling the labour ;
- (iv) a record is kept of the progress of work done by labour and that the cost is not so largely in excess of the value at current rates, as to indicate either loss to Government or need for closer financial control;
- (v) all thumb impressions of illiterate payees are duly attested, and
- (vi) the certificate of disbursement printed at the foot of the muster rolls has been signed and dated by a responsible officer.

### **Audit of Grants-in-aid**

**7.32 (a) General:** The rules for the sanction and payment of grant-in-aid are contained in the different departmental codes and manuals i.e. the Education code etc. The financial principles regulating those grants are indicated in rules 340-345 of the Jharkhand Financial Rules-Vol. I. (corresponding to rules 206-211 of the General Financial Rules). The Financial Powers of the various authorities sanctioning grant-in-aid are contained in part IV of the compendium of financial delegation and/or embodied in the respective departmental regulations. The general principles and procedure for the audit of grants-in-aid are laid down in paragraphs 3.5.1 to 3.5.26 of Manual of Standing Orders (Audit) 2<sup>nd</sup> edition 2002.

(b) The points enumerated below are intended to serve as guiding instructions only and are not meant to be exhaustive. The audit staff entrusted with the work should exercise their discretion in detecting or pursuing other irregularities or points which might strike them in the course of performance of their duties.

### **Audit of Sanction to Grants-in-aid**

**7.33 (a)** Every order sanctioning a grant should specify the object for which it is given and conditions attached to the drawal, payment or utilisation of the grant. The object should generally conform to the principles of propriety, unless specific rules exist governing particulars of grants i.e., Discretionary grants etc.

(b) The order should specify if the grant is recurring or non-recurring and whether it should be paid in instalments.

(c) Audit should see that:

- (i) the authority sanctioning the grant has been invested with the power of sanction, by rules or a general or special order of Government;
- (ii) the sanction is definite and thus needs no reference either to the sanctioning authority itself or to any other higher authority;
- (iii) that the grant has been sanctioned for a public purpose or for objects specified in the rules regulating the specific class of grants and the reasons for the grant are recorded in the files of the sanctioning authorities.

**Note:** It is not necessary to state the reasons on the body of the sanctions.

- (iv) that the amount sanctioned is not prima facie more than the occasion demands. This envisages an examination of the primary records e.g. audited statement of accounts furnished by the grantee. It should, therefore, be examined as to how the grant sanctioned has been assessed. This examination may require consultation of relevant files in the office of the sanctioning authorities. The Comptroller and Auditor General's instructions are that a decision regarding file audit should be taken at the level not below the rank of Deputy Accountant General (AMG-II)

### **Audit of Expenditure on Grants-in-aid**

**7.34 (i)** See that there is no advance drawal of grant in anticipation of sanction or for avoiding lapse of budget grants or unauthorised diversion of the fund.

- (ii) Where the rules require that the grant should be drawn on the authority of the Accountant General on the counter signature of the higher authority, see that the drawals conform to the prescribed conditions, (e.g. drawal in instalments, prior fulfilment of certain conditions or in accordance with the scales etc.).
- (iii) See that the bills have been prepared in proper form, correct classifications have been recorded on them, and the drawals have been made in accordance with rules.
- (iv) Where the grant is conditional i.e. if any conditions are attached to a grant (which usually take the shape of specification of the particular objects on, or the time within which, the money has to be drawn and spent), audit should see that the conditions are fulfilled. The statement and certificates of the executive authorities to the effect that the conditions have been fulfilled by the grantee are given on or attached with the relevant vouchers.
- (v) Where the grantee is required to furnish a statement of expenditure to a particular officer e.g. the Accountant General or the sanctioning authority, it should be seen that this, has been done.
- (vi) When a time-limit has been fixed by the sanctioning authority, it should be seen that the grant has been spent within that period and in other cases, within a reasonable period and that any portion of the amount which is not ultimately required for expenditure is surrendered.
- (vii) See that an utilisation certificate has been furnished by the sanctioning or disbursing authority within a reasonable time or by the fixed date.
- (viii) See that the grant was not drawn and placed in deposit for future utilisation, in order to avoid lapse of budget provisions.
- (ix) See that the Register of grants prescribed in the Government of India, Ministry of Finance, Memorandum No. F.II (I) E-11(A)/57, dated 14.3.57 has been maintained and the procedure prescribed therein regarding issue of sanctions and preparation and counter signature of bills has been properly observed. (Based on circular no. OAD-G-49 dated 6.5.57)
- (x) See that there is evidence on record to show that administrative checks over the correctness of the utilisation certificate have been exercised.
- (xi) See that records are available to show that the grantee has fulfilled all the conditions e.g. achievement of targets, and objects for which the grant was made.
- (xii) Where the grant is for execution of a work e.g. construction of a school building, audit should see that the grant paid was utilised for that work and that the completion certificate has been furnished by the grantee. There should be administrative arrangements to inspect the progress of work at some stage of the construction after the work is completed. The work should be locally inspected by a technical expert who should certify that the expenditure incurred in the work was not less than the estimated expenditure on the basis of which the grant was sanctioned.
- (xiii) See that the department control over expenditure on grants-in-aid is adequate and there is arrangement for watching surrender of unspent balances and for enforcing such surrender.

- (xiv) Where different sanctioning authority made grant for the same purpose audit should see that there is proper arrangement for sending copies of sanctioning orders by one sanctioning authority to another to avoid overlapping grants
- (xv) See that the grantee has spent the grant with due regard to economy and there is no wastage or extravagance.
- (xvi) Apart from the above, the Audit party should also exercise the other usual checks prescribed for the audit of expenditure.

(Based on O. O. No. 3004 (HA) dated 29.6.57 and 3006 (HA) dated 27.6.57).

- (xvii) Governments often stipulate that, before a grant is paid, the sanctioning authorities under its control should, as far as possible, obtain audited statements of the accounts of the grantee institutions in order to establish that the grant is justified by their financial position and also to ensure that any previous grant was spent for the purpose for which it was intended. Audit should verify that the sanctioning authorities duly adhered to the stipulation.
- (xviii) Audit should ordinarily accept statements made by the responsible technical officers on purely technical matter.

[para 3.5.12(iii) and(iv) of M.S.O(A) 2<sup>nd</sup> edition ,2002]

### **Important Irregularities Noticed in Course of Audit of Grants-in-aid**

- 7.35** (1) Grants drawn from the Treasury were neither accounted for in Cash Book nor disbursed and utilised nor refunded to the treasury but retained in hand for indefinite period.
- (2) Conditions of grants were not fulfilled and the amounts were spent without any planning and estimate and departmental control over expenditure and without following the usual financial rules of Govt. to safeguard economy.
  - (3) Cash book was not maintained properly, transactions, were not brought to account as soon as they took place. No proper check has been exercised by the head of the institution. Details of expenditure were not recorded.
  - (4) Utilisation certificate was not furnished and the utilisation of the grant was not checked.
  - (5) Actual payee receipts were not available for audit check in proof of the payment.
  - (6) Scale of expenditure was not approved as a condition of grant and purchases were made without calling for tender or obtaining quotations.
  - (7) Stock register of books, maps and furniture, purchased out of the grant was not maintained.
  - (8) Contingent register not maintained properly. Payment made without obtaining completion certificate of work and technical scrutiny.
  - (9) Grant sanctioned for one year was utilised in another year without obtaining sanction.
  - (10) Large amounts were drawn from the Treasuries during the month of March evidently to avoid lapse of grants. In some cases sanctions to individual works were accorded in the course of the next financial year or were yet to be issued.



- (11) Statement of expenditure on schemes for which grants-in-aid was given, was not submitted to audit punctually in many cases.
- (12) Amounts drawn in a year for execution of work were not utilised during that year. In some case the amounts were redeposited into the treasuries.
- (13) Certain works were left incomplete because the anticipated public contribution was not forth coming. In a few others, the amounts of the grant was drawn and spent but the construction is reported as still to be undertaken.
- (14) Defective maintenance of register in respect of flood relief. No stock books of articles of clothing and rice purchased for relief was maintained. No account was kept of a large amount of grant made to a local body for relief-work.
- (15) Diversion of grant from one head to another without previous approval of authority sanctioning the grant
- (16) There are a few cases in which the amount of the grant sanctioned was much in excess of the amount that could be utilised during the course of the year and where the unspent balance was subsequently allowed to be utilised in the following year.
- (17) Certain local bodies and institutions have not surrendered the unspent balance of grants.
- (18) Overlapping of grants and duplicate sanctions.
- (19) Miscellaneous irregularities in the accounts of works e.g. improper maintenance of muster-rolls, payments of final bill in advance of the execution of work or without detailed measurements, expenditure in advance of requirements, avoidable and unauthorised expenditure ; and execution of works on the basis of revised estimates which have not been sanctioned etc.

**Other accounts records specially pertaining to certain departments- Hospital, Jail etc. not specifically mentioned**

**7.36** All other account record and register not specifically mentioned in the preceding paragraph or in the chapters dealing with the audit of the accounts of the particular office or institution should be examined to see:-

- (i) that they are maintained in accordance with the prescribed rules and serve the purpose for which they are designed;
- (ii) that they are kept up-to-date; and
- (iii) that they are periodically reviewed by a responsible officer of the department;
- (iv) apart from the above, any other check as the occasion may demand should also be exercised.

**Implementation of 20 Point Programme and Audit there of**

**7.37** Various schemes covering a wide range of subjects and involving huge expenditure have been taken up by the State Government for implementation under the 20 point programme. The importance of probing the schemes with a view to high lighting in inspection reports the deficiencies and weaknesses in their implementations. The inspecting officers and members of OAD field parties have been instructed to see, during local audit of

concerned State Govt. offices, that a schemes launched under the 20 point programme are being implemented within the time and cost frame laid down by the Govt. The records pertaining to the schemes may, therefore, be scrutinised, be adequately commented upon in the inspection report.

A list of the scheme in Jharkhand under the 20 point programme is given below.

**List of schemes launched by the Govt. of Jharkhand under the 20 point Programme**

1. (a) Integrated Rural Development Programme.  
(b) National Rural Employment Programme.
2. Pulses and oil-seed Development programme.
3. Dry land farming Development Programme.
4. Command Area Development Programme.
5. Land Reforms.
6. Rehabilitation of Bonded labour.
7. Programme for the Development of the scheduled castes and scheduled Tribes (Education, Health, Housing and Economic Programmes).
8. Family welfare Programme. (Primary Health, Welfare of women and children and nutritional Programmes).
9. Rural Health Programme (T.B., Leprosy, Blindness etc).
10. Supply of drinking water to all problem villages.
11. Allotment of house sites to rural families.
12. Removal of Adult illiteracy
13. Slum clearance Programme
14. Strengthening of the Public Distribution system by opening more fair price shops including mobile shops.
15. Development of small and village Industries (Handloom and Handicrafts).

**7.38 Delay in Submission of Accounts by the Treasuries, Public Works Divisions/Forest Divisions**

The reasons for the delay in submission of accounts by the treasuries/public works Divisions/ Forest Divisions should be got investigated by the Inspecting officers during their periodical inspections of these offices. If need be, the results of their efforts may be incorporated in the Inspection Reports.

Whenever submission of accounts by the Treasury officers to the A.G. (A & E) are delayed abnormally in that case, field parties have been instructed, when they visit the treasuries for verification of debits and credits, to see how far the monthly accounts have been submitted by that Treasury, to that extent inspection work will continue and be completed as usual but in such cases where treasury verification cannot be conducted because of heavy arrears in the compilation of treasury accounts, the inspection report will invariably include a para to that effect. This procedure will continue until further instructions are received from the HQrs. office.

(Authority: O. O. No. OAD-NC-(M)-C-Patna-106 dated 23.7.92 and O.O. No. W.A.-I-Misc.-225 dated 24.7.92).

**Treasury Verification**

**7.39** Verification of withdrawals and remittances shown in the records of a DDO with reference to Treasury schedules is an essential element of audit inspection. Treasury verification has to be done most carefully. The Treasury payments relating to a particular DDO are to be noted from the Treasury schedules and these should be checked up against the bill book and Cash Book of the DDO.

In respect of the remittances, the process should be reversed i.e. verification has to be initiated first from the Remittance Register, Cash Book details of remittances collected from these records (Remittance Register cash book) should be verified with Treasury schedules.

Verification should, thus, be done carefully with reference to treasury schedules/Bank scrolls etc. and departmental records such as Remittances Register, Bill Book, Cash Book and Messenger Book etc. and its result suitably commented upon.

## **Special Audit**

### **7.40 Special Audit of a programme, project or organization-regarding**

1. Instructions related to Special Audits are contained in Regulation 13 and 14 of the Regulations on Audit and Accounts 2020. In recent years, requests for special Audits have also been received from Courts of Law. In the light of these developments and also because field offices have, on occasion, applied the extant instructions differently, it has been decided to reiterate the existing instructions (summarised in the Para 7.41), and also specify the procedure for approval of Special Audits as under:

- (i) Since the Regulations do not cover requests for Special Audit by Courts of Law, the field office receiving such requests should insist that these are received with the approval of the concerned Secretary to the Government. The field office should thereafter send the request, with recommendation, to the concerned functional wing in HQ, who will thereafter forward the requests, along with their views, to PPG Wing for faking a final decision in the matter in consultation with Legal Cell.
- (ii) All other requests for Special Audit shall be examined by the Field audit offices as per extant instruction (summarised in annexure) and then forward, along with their views, to the concerned functional wing in HQ, who shall take a final decision under intimation to PPG.
- (iii) Requests for Special Audit received in HQ directly from the concerned Government shall be forwarded to the field offices for taking necessary action in the manner as at (i) or (ii) above.

2. Requests for Special Audit of entities not within C&AG's audit jurisdiction should be examined in a similar manner as the cases of entrustment of audit.

3. For maintaining year wise data-base of the requests for Special Audit received and finally accepted/rejected, a centralized platform would be maintained by the Headquarters, wherein the field offices would be permitted to fill the details as warranted. As soon as the Centralised Platform becomes operational, instructions would be issued separately in this regard.

4. This order is effective from the date of issue. (1st October'2019)

(C&AG L. No. 199-PPG/49-2012 dated 1.10.2019)

### **7.41 Existing instructions on Special Audit**

- Central and State Governments who request for Special Audit by CAG should, in the first instance, be advised to have the audit performed by their own Internal Audit. Thereafter, if they still require Special Audit by CAG, they should inform of the special reasons for such request and the specific areas which the Special Audit should focus on.
- Before undertaking any Special Audit engagement, it should be ensured that the CAG is not being asked to involve in tasks that rightfully the responsibility of the investigation agencies or departmental inspection

authorities. If it is felt that preliminary or further investigation by departmental authorities is necessary before undertaking Special Audit, then, this should be done first. Only such cases that require exert scrutiny by the staff of IA&AD should be taken up in Special Audit.

- All Special Audits should have the following features:
  1. They should come under the audit jurisdiction of the concerned audit office;
  2. The request should be made with the approval of the concerned Secretary to Government;
  3. The request shall state the justification for Special Audit, including the result of any preliminary enquiry, investigation or study that may have already been conducted; and,
  4. Specify the period to be covered in the Special Audit.
- The decision of the Comptroller and Auditor General or any officer so authorized in this regard shall be final
- The results of the Special Audit shall be reported to the concerned Secretary to Government and to the Secretary, Finance Department/ Ministry.
- The Comptroller and Auditor General also reserves the right to communicate the results of any Special Audit to the Ministry of Finance, Government of India (Where the Special Audit related to any State Government or Union Territory with Legislature) and to include the results of any Special Audit in the Audit Report of the Centre or concerned State/UT.

(Annexure to C&AG L. No. 199-PPG/49-2012 dated 1.10.2019)

**CHAPTER-08**

**Scope and Extent of Audit of PAO's/DDO's under the Departmentalised System of Accounts**

**8.1** The departmentalisation of accounts of the Ministries/ Departments of the Government of India was completed on 1.10.76. Under the Departmentalised System of accounting all payments are, as a general rule, made by the Pay and Accounts Officer after pre-check except in case of bills paid by the DDOs with cheque drawing powers under the powers vested in them. In the latter case, the Drawing and Disbursing Officers (DDOs) render accounts duly supported by vouchers to Pay and Accounts Officer (PAOs), who exercise post checks.

**8.2** Local audit of Pay and Accounts office should be directed towards testing the adequacy and efficiency of internal checks and checking the efficiency and effectiveness of working systems.

**8.3** The quantum of check prescribed for local audit parties are indicated in the Annexure to CAG's special letter No. 943-T.A.I/147-81 dated 14.08.81 read with letter no. 1023-T.A.I/147-81 dated 28.8.81. These checks are grouped under the following categories.

- (I) Checks to be exercised on the transactions relating to the month selected.
- (II) Checks to be exercised in respect of cases and records, covering the period since last inspection.
- (III) Checks to be exercised for examination of the efficiency of the working of Internal Audit units.
- (IV) Review of control records.

While the annual audit of P&A offices can take care of the first three categories referred to above a horizontal inspection for a critical review of all the control records in the pay and accounts offices under each Ministry can be undertaken with advantage once in three years for an in-depth examination.

**8.4** At present audit of sanctions to the payments of grants-in-aid is done in the main office and audit of effectiveness of expenditure is conducted in the office of the sanctioning authority. For this purpose, PAO's can be asked to give voucher-wise details of the grants paid in a year so that audit can be done with advantage in the office of the sanctioning authority under section 13 and section 15 of DPC Act.

**8.5** Audit of contingencies can be effective only by an intelligent scrutiny of the transactions with reference to the purchase files and other related documents available in the offices of the DDOs. A list of important and heavy transactions under contingencies should be prepared from the records of the PAO during local audit for further audit of transactions. In view of the dispersal of the records in the PAOs and DDOs for the same type of transactions a sequential local audit of PAOs as far as possible would be preferable.

**8.6** DDOs with cheque drawing powers act on behalf of PAOs in discharge of their functions. The paid folio (Cheques) and original vouchers are with P&A office concerned. Hence the checks to be exercised during local audit of these offices (DDOs) will be of limited scope and confined to the following:

- (i) Verification of the correctness of the net amount drawn and shown in the pay bills register or office copies of the paid vouchers for the selected month with the amount noted in the counter foils of the cheques.

- (ii) Verification of the entries in the cash book and other relevant records with reference to the amounts noted in the office copies of the vouchers.
- (iii) Verification of the entries relating to the paid cheques in the copies of bank scrolls received by the DDOs from the bankers with the amount noted in the counterfoils and
- (iv) Check of other accounts records maintained by the DDOs with cheque drawing powers.

**8.7** The duration of audit of pay and Accounts offices has been fixed at 12 to 15 days and that of DDOs with cheque drawing powers at 3 to 5 days for the limited purpose of check of accounts records maintained on behalf of the PAO's.

**8.8** The system of local audit of PAOs and DDOs with cheque drawing powers by peripatetic parties should continue. The Resident Audit parties in the Lok Sabha, Rajya Sabha, BSF & CRPF which were set up before departmentalisation may be discontinued.

**8.9** The periodicity of audit of P&A offices should continue to be annual while the DD offices may be audited biennially or triennially or lesser frequency depending upon the nature of work or volume of transactions.

**8.10** The existing composition of audit parties i.e. double AAO party for audit of P&A offices and single AAO party for audit of DDOs with cheque drawing powers and the existing quantum of supervision will continue.

(C.A.Gs letter No. 943-T.A.I/147-81 dated 14.8.81, circular no. 36-T.A. I/1981)

**Procedure regarding Verification of Withdrawals by the Drawing and Disbursing Officers (without cheque drawing powers) of the Ministries/Departments during Local Audit**

**8.11** Prior to departmentalisation of accounts, drawals of bills made from the treasury by an office taken up for local audit were verified with original vouchers available in the Audit office and for this purpose all the vouchers paid in selected months in respect of drawing officer used to be taken from Headquarters by the inspection parties for being traced in the initial records. After departmentalisation of accounts, the paid vouchers are not available in the audit office but will be finally recorded with PAOs concerned, who will retain in their possession not only the vouchers paid by them but also the vouchers sent by DDOs having cheque drawing powers. A question, therefore, arose how audit could satisfy itself about the initial records of drawing officer concerned. For this purpose, the following instructions were issued by the Headquarters office.

- (i) In the case of DDOs with cheque drawing powers, the counterfoils of cheque will be available with them, though the paid foils and the original vouchers would have been sent to and recorded by the PAO concerned. In these cases, the net amounts drawn as shown in the office copies of the vouchers should first be compared for the selected month with the amounts noted in the counterfoil of cheques and after this tally the entries in the cash books and other records should be verified with reference to the amounts noted in the said office copies. In order to verify that the amounts in the paid foils of cheques are not different from the amounts noted in the corresponding counterfoils, the entries relating to the paid cheques in the copies of bank scrolls received by DDO should be verified with the amounts noted in the counterfoils. If these checks are carried out carefully, audit can be reasonably satisfied that all the amount drawn by the Drawing officer have entered in his initial accounts. Any serious or important discrepancies noticed during any of

the foregoing check should be promptly reported by the Inspection staff to the PAO concerned for immediate investigation and report, apart from making the usual mention of such cases in the Inspection Report. Before the local audit of a cheque drawing DDO is taken up, PAO concerned should also be asked to inform audit, before the commencement of the audit or during its progress, any cases of discrepancy, defect, or irregularity noticed by him in the course of his check of the bank scrolls with paid cheques and of the original vouchers received from the drawing officer. If there are any cases in which cheques have been drawn by the PAO and sent to the DDO for disbursement, a list of such cases during the period taken up for audit, should also be obtained from the PAO for being traced in the initial accounts of the DDOs.

- (ii) In the case of DDOs without cheque drawing powers, the payments will be made by cheque issued by PAOs directly. It will be necessary in these cases to obtain lists of cheques issued by the PAO's along with all relevant particulars for the period covered by audit in order to enable the local audit party to verify whether all these cheques have been accounted for in the initial records of the drawing officer.
- (iii) The request for information, list of payments etc. from the PAO should be made in a reasonable time before the audit is due to commence.
- (iv) In carrying out these checks, though audit may be restricted to a test audit of the transactions of a month or two, the information about the actual months selected for detailed audit should not be divulged to the PAO or the DDO.
- (v) In cases where the DDO proposed to be audited and the concerned PAO are under the jurisdiction of different Accountant General, the information etc. for the audit of the DDO, in terms of the foregoing may be directly obtained from the PAO concerned without routing such requests through the Accountant General in charge of the audit of the PAO

(Based on C.A.G.'s circular letter No. 226-T.A.I/ 75-76 KW VI dated 23-3-78).

### **Checking of final payment cases of Provident Fund during local audit in the departmentalised set up**

**8.12** The question whether under the departmentalised set up, which has its own responsibilities for internal check, it is necessary to conduct a cent percent check of final payment cases of provident fund during local audit It has been decided that in period of two years to come, test check of correctness of the final payments including payments of residual balances in the Provident Fund Accounts may be conducted to the extent only of 50%. In case the test check reveals alarming trends, the Ministries will have to be advised about the deficiencies and the ineffectiveness of internal check/audit and a request made for re-check of the payments made as a result of the test check conducted by inspection parties.

(CAG.'s letter No. 347-T.A.II/37-75 dated 22nd March'79).

**8.13** All the registers connected with the accounts should be generally reviewed (in the PAO's office only).

**8.14** A general review on the following aspects should also be made.

- (i) Documents relating to control of expenditure.
- (ii) Documents relating to review of balances.
- (iii) Clearance of balances outstanding under suspense head.

- (iv) Clearance of amounts booked under "8670" cheques and bills" (in PAO's office only)
- (v) All pension verification cases and the first payment of pension made in PAO's offices should be audited carefully. The subsequent payments should also be checked to the prescribed extent.

**8.15** Service Books and Leave Accounts should also be checked with a view to seeing that they are maintained in accordance with the rules. The service books of such officers who are likely to retire before the next inspection takes place should be checked carefully.

**8.16** All cases of initial pay fixation should be checked.

**8.17** All cases of increment drawn in the selected months should be seen with a view to ensuring the correctness.

**8.18** All Leave Travel Concession Bills paid during the period of audit should be scrutinised.

**8.19** All cases of contracts and agreements to more than ₹ 15000 should be checked (in DDO's office only).

**8.20** Rate and running contracts should be audited in full without reference to the amount (in DDO's office only).

**8.21** Grants-in-aid should also be audited. It should be particularly seen whether there is a proper machinery for watching the utilisation certificate.

**8.22** The permanent advance sanctioned for the office should be critically examined with a view to seeing whether the advance is in excess of requirements.

**8.23** The correctness of standard licence fee, if any recovered should be checked.

**8.24** A general review of objection book, suspense broad sheets, claim registers, consolidated abstracts, DDR registers, valuables registers may be made (in PAO's office only).

**8.25** While checking the records of the DDO's office it should be seen that final receipts below ₹ 100 are obtained and filed along with the office copies of duly cancelled and those above ₹ 100 are sent PAO's office for being filed with the vouchers.

(Order of Deputy Accountant General (Inspection) forwarded to the concerned Inspecting officers and Section Officers under the O.A.D. (M)-1496-1500 dated 26.12.78).





**CHAPTER-09**

**WORKS AUDIT MANUAL**

Work Audit Manual is issued in accordance with Paragraph 53 of the Comptroller & Auditor General’s Manual of Standing Orders, (Administrative). The Manual has been revised in order to incorporate the several changes which have taken place since the publication of third (1975) edition. It contains instructions regarding the work to be done in the Works Audit Department of AMG-II. The instructions contained in this chapter of Manual are supplementary to those laid down in the various Codes and Regulations according to which audit should be conducted and they do not override the provisions of the latter. This Manual should not be quoted as authority in any correspondence outside this office.

All members of this Office, specially those who are working in the Audit Management Group-II, are expected to be conversant with the detailed procedure laid down herein. However, the outline of general principles and process of audit given in this manual may only be taken as a guide for holistic audit. This should not be considered as constraining factor in the inspecting staff’s duties. The inspecting staff should, therefore, see that all the checks as deem necessary have been carried out. Any error or omission which may be detected in this Chapter and any useful suggestion for its improvement may be brought to the notice of the Principal Accountant General. The Assistant Audit Officer, AMG-II headquarter Section, will be responsible for keeping this Chapter of Manual up-to-date by issuing correction slips at regular intervals.

**9.1** The term “Public works Department” include all its works Branches, namely Rural Development Department, Rural Works Department, Road Construction Department, Building Construction Department, Drinking Water and Sanitation Department, Water Resources Department and Energy Department.

(Authority Note 1 below Paragraph 1C of JPWD code 2012).

The work activities of the Works Department of Government of Jharkhand extend over these departments. Out of these, Rural Development Department, Rural Works Department including Rural Development Special divisions and National Rural Employment Programme divisions as well as Water Resources Department including Minor Irrigation divisions come under audit purview of AMG-II. Road Construction Department and Building Construction Department come under audit purview of AMG-I.

**Table:1.1 Works Departments of Government of Jharkhand with respective auditable units under AMG-II**

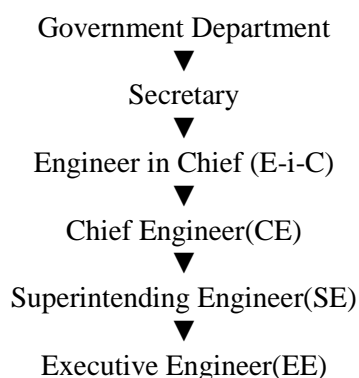
<b>Sl No.</b>	<b>Department</b>	<b>Audit entities</b>
1	Rural Development (RWA- ) (RDD- ) (PRD- )	5095
2	Water Resources, River Valley Project and Minor Irrigation Department	216
	<b>Total</b>	

**9.2** Activities of these department may be broadly sub-divided into two categories, (i) Administration and (ii) Execution. The Administration vests in the Secretaries of each

department and the execution rest with Engineer in Chief/ Chief Engineer who is the supreme authority in the technical side of the branch entrusted to his care. For facility of administration and proper control, the territorial area of the State had been divided into circles. Each circle which comprises of multiple work divisions is headed by a Superintending Engineer. For every division, there is a Divisional Officer generally known as the Executive Engineer who is directly responsible for the execution of work in the Division and for rendering accounts to the Accountant General (A & E). A Divisional Accountant is also posted by the AG (A&E) who helps the Divisional Officer in internal check of accounts and to report to AG (A&E). The Divisional Accountant acts as the Financial Adviser to the Divisional Officer. The annual confidential report of the Divisional Accountants rests with the Accountant General (A&E).

### **General Arrangement of the work Departments**

**9.3** The following diagrams show briefly the arrangements of the authority and his relation in which officers of each works Department stand with each other;



### **9.4 Auditee units (Annual Items)**

Please see *Annexure-IV*

### **9.5 Work audit : Duties and powers of the team members**

#### **A. Responsibility of the Inspecting officer**

The Inspecting Officer should be assisted, at the inspection of each divisional office, by staff adequate to complete the inspection of that office within the period allotted for the purpose. The staff must include at least one experienced Assistant Audit Officer one other Assistant Audit Officer. Inspection work is important and the staff should be selected carefully. A broad outline of the duties and responsibilities of that could be entrusted to different categories of personnel in the Public Works inspection parties is detailed below:

- (i) Study of the notes of Chief Engineer and Superintending Engineer on their inspection of divisions and those of the Executive Engineer and Divisional Accountant on their inspection of sub-divisions with a view to issuing appropriate directions to the audit staff.
- (ii) Review of budget allotments and actuals in respect of major items of revenue and expenditure, instances of large excesses, savings or short realisation.
- (iii) Review of all regular tenders and contracts, along with the related records and documents and of a percentage of the agreements executed since last inspection, including review of systems and procedures for invitation and finalisation of contracts and agreements.

- (iv) General review of the accounts of works, with reference to muster rolls, transfer entries, Suspense and Deposit registers, Schedule of rates, Register of Rents, Establishment records and monthly accounts.
- (v) Review of the system for and extent of check-measurements by the divisional and sub-divisional officers and other higher authorities and of check of Measurement Books by the Divisional Accountant.
- (vi) Review of Register of Revenue other than rents, including review of procedures for its assessment and realisation, special attention being paid to cases of shortfalls in revenue realisation.
- (vii) Review of the effectiveness of banking (treasury) arrangements.
- (viii) Review of the systems for receipt, disbursement, custody and verification of cash.
- (ix) Review of systems for acquisition, custody and management of stock and of stores transactions.
- (x) Review of accounts of manufacture operations.
- (xi) Scrutiny of Register of Bank Guarantees and verification of Guarantees and of action taken for their enforcement.
- (xii) Examination of adequacy of arrangements and the action taken by the Department for the prompt disposal of audit notes, rejoinders, Inspection Reports and money value objections.
- (xiii) Review of the Register of Divisional Accountant's audit objections.
- (xiv) Review of the action taken by the Divisional Accountant for the up to date maintenance of codes, manuals, circulars, etc.
- (xv) Value for Money Audit, in general

**B. Assistant Audit Officer-I**

- (i) Complete and detailed analysis of selected works with reference to all connected documents, such as sanctioned estimates, agreements, measurement books, materials-at-site accounts, etc.
- (ii) Scrutiny of a few files relating to works.
- (iii) Scrutiny of a few tender documents.
- (iv) Examination of the Register of Works.
- (v) Examination of Statement of Annual Certificate of Balances.
- (vi) Study of Charge Reports of divisional and sub-divisional officers.
- (vii) Scrutiny of Muster rolls
- (viii) Complete check of contractors' ledgers for selected months.
- (ix) Scrutiny of Register of contractors' bills
- (x) Examination of Stores and Stock accounts (including general review of stores ledger, bin cards etc.).
- (xi) Review of arbitration cases.

- (xiii) Examination of Workshop accounts, use rates and proforma accounts.
- (xiv) Review of Register of Quarries and distance for leads.
- (xv) Review of Schedule of Rates.
- (xvi) Examination of data relating to extra and supplemental items.
- (xvii) Examination of abnormal or unworkable rates quoted by contractors.
- (xviii) Scrutiny of estimates for special repairs.
- (xix) Verification of action taken on previous Test Audit Notes.
- (xx) Settlement of outstanding paragraphs in previous inspection reports.
- (xxi) Examination and disposal of special points referred by Central Audit for local verification.

**C. Assistant Audit Officer-II**

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

- (xx) Realisation of sale value of tender forms with reference to the Tender Register and their accounting with reference to treasury schedules and transfer entries.
- (xxi) Examination of a few work files and tender documents.

**D. Senior Auditor**

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

[Para 6.2.2 of MSO (A) 2<sup>nd</sup> edition 2002]

**9.6** Inspecting officers are expected-(i) to guide their staff (ii) to do a certain amount of original work, and (iii) to examine personally with reference to initial documents all important points raised by their staff.

**9.7** The duties and responsibilities assigned to the Inspecting Officer according to the provisions envisaged in para 6.1.8.of section (VI) of MSO (Audit) are sufficiently exhaustive. Besides performing the co-ordinating function to achieve overall efficiency in performance and seeing that necessary process of audit of the various documents have been carried out by

the staff under him, the inspecting officer will also do a certain amount of original work; examine personally with reference to original document and important points raised by the staff.

(CAG's letter no. T-962 Admn/74-40 dt 23.9.1940)

**9.8** The Inspecting officer should try to get all the facts and explanation on the spot wherever satisfactory explanation is not forthcoming and if Inspecting officer feels that the points raised by him are so important that they may ultimately find a place in the Audit Report to be submitted to the legislature, he or the AAO should take particular care to clinch all issues involved, to collect all relevant information and also to obtain attested/Xeroxed copies of those documents/records which are likely to be useful in persuading the matter to the higher authorities.

(CAG's D.O. No. 1307/Admn-I/388-55 Dt. 24/9/55. No. 971-Tech-Admn. II/131-68, dated 2/5/1968).

**9.9** The Divisional Officer should be given sufficient notice of the probable dates of inspection and should be requested to (i) obtain from his subordinate offices, the necessary books, documents, etc. which should be specified; and (ii) be present at his headquarters to meet the Inspecting Officer in time to discuss the results of the inspection with him.

[paragraph 6.2.4 of MSO(A), 2<sup>nd</sup> edition 2002]

**9.10** The inspection and test audit of the records should ordinarily be undertaken at the headquarters of the Divisional Officer. It is, however, open to the Accountant General to require the accounts records of sub-divisions or subordinate officers to be produced for inspection in the offices concerned or in the Divisional office itself.

[paragraph 6.2.3 of MSO(A), 2<sup>nd</sup> edition 2002]

**9.11** The supervising officer will also discuss with the Head of the office all important objections of the current audit as well as the outstanding objections of the previous Inspection Reports and endeavour to settle as many of them as possible.

**9.12** The Inspecting officer shall write out the report himself and should not leave it to his subordinates to do the drafting. This is necessary in order to enable the Inspecting officer to apply his mind actively to every thing mentioned in the report. This is also calculated to ensure the accuracy of the facts stated, the cogency of the arguments applied and moderation in and preciseness of the language used.

(Auth: CAG's confidential D.O. letter no. 307 Admn I/338-55, dated the 24th June, 1955 and confidential D.O. letter no. 388, Admn. I/55 dated 9/12/1955-circulated with the secret O.O. No. 1950 of 13/ 1/56).

**Note:** The Inspecting officers are directed to submit duly ranked D.I.R along with Floppy/C.D.(soft copy) to AMG-II (Hqrs) section within seven days from the date of conclusion of audit.

**9.13** In order to improve the position regarding issue of Inspection Reports the field parties are hereby directed to adopt the following procedures in drafting and sending the Inspection Reports to the Headquarters.

- (i) The Draft Inspection Reports of the office when audit is fully supervised by the Senior Audit officer should be drafted by the Senior Audit officers themselves. In case where no supervision or partial supervision is provided the DIRs will be drafted by the AAO concerned holding the charge of the party in a similar manner. It may also be ensured that all annexure to the DIRs are prepared in triplicate.

- (ii) It should be as concise as possible. The objection raised should be clear and supported by exhaustive facts and key documents. Only important objections may be included in the DIR and all minor objections taken in the Test Audit Notes and issued on the spot.
- (iii) The audit team must ensure that the objection memos issued to the Drawing and Disbursing officer are received back in original with suitable replies with dated initial duly stamped. The discussion sheet with the Head of the offices on the closing date of audit should be attached with the DIR.

(Authority: - O.O. No. OAD (M) 124/87-88/100 dated 10/12/1987)
- (iv) Audit team should hold entry meeting prior to commencement of audit and also an exit meeting to discuss the audit findings and request responses from the audit entity. The minutes of the exit meeting should be prepared and shared with the audit unit and acknowledged requested.
- (v) Where a specific matter has been selected to assess the extent of compliance from a departmental prospective or the Accountant General intends to draw the attention of the executive towards system weakness etc. A consolidation of audit findings called Departmental Appropriation Note is prepared. The responsibility of drafting the Departmental Appropriation Notes may rest with the Audit Team with the approval of Accountant General.
- (vi) In cases where multiple teams are deployed for audit of an Apex Auditable Entity and a lead team has been identified for conduct of compliance audit, lead team may draft and finalise the Departmental Appropriation Note, for approval by the Accountant General.

## **Tenders**

**9.14** Tenders must be obtained for all works which are proposed to be given on contract unless the amount of contract is Rs.2.50 lakh or less.

The following constitute the tender documents:-

- (i) a complete set of drawings
- (ii) a complete specification of the work and of the materials to be used
- (iii) a schedule of quantities;
- (iv) a set of conditions of contract

(Authority: Rule 170 of the Jharkhand PWD.Code 2012)

The department should prescribe standard Notice Inviting Tenders (NIT's) for different nature/category of works so as to minimize the publication expenses. Details of such tenders should be available on internet, notice boards etc. which must be mentioned in such published tender notices

(Note 4 below JPWD code Rule 159a)

**9.15** The Inspecting staff should particularly see that the tenders have been invited after proper publication of notice for all heavy purchases of stores. The original tenders should be examined and compared with the comparative statements and the agreements finally accepted and cases of alteration of figures, overwriting and unauthorised alterations of the tendered rates or other terms specified in the tenders should be specially investigated and the result mentioned in the inspection Report.

**9.16** The general principal to be followed in entering into a contract are given in Para.3.7.2 to 3.7.5 of MSO (Audit) 2002.

### **9.17 Validity of tenders**

The validity of tender should be decided prior to the opening of financial bids by inviting bids for the projects costing more than Rs. 50 lacs through two envelop system or in a likewise manner

(Authority: Note 2 below Rule 163a of JPWD code 2012.

**9.18** The validity period for acceptance of tenders in case only financial bids are invited shall be 30 days from the last date of receipt of bids. In all other cases 75 days from the last day of receipt of technical bid. for works shall remain open for acceptance for a period of 90 days from the date of opening of tenders (Para 4.14 CPWD Manual 2019)

### **9.19 Limitations on tenders**

**9.19.1** No work shall be commenced unless a properly detailed design and estimate have been sanctioned, appropriation of funds made and orders for its commencement issued by competent authority. Provision in the estimate for expenditure on a work conveys no authority for the commencement of outlay. (Authority Rule 247 of Bihar Financial Rules adopted by Jharkhand)

**9.19.2** Before a work is given out on contract, the Executive Engineer must prepare “Contract” documents to include (i) A complete set of drawing showing the general dimensions of the proposed work, and so far as necessary, details of the various parts (ii) complete specification of the work to be done and of the materials to be used, unless reference can be made to some standard specification. (iii) schedule of the quantities of the various descriptions of work and (iv) A set of “conditions” of contract to be complied with by the person whose tender may be accepted.

(Authority Para 170 of JPWD code 2012)

**9.20** No tender for the execution of works of any description of work branches of the Public Works Department should be considered for evaluation unless accompanied by chalan showing the deposit of earnest money into a treasury to the extent notified as necessary by the Executive Engineer or other Officer.

(Authority: Rule 161 (i) of JPWD code 2012.

**9.21** The earnest money could be in the form of current issues of National Savings Certificates, Fixed Deposits of a Scheduled Bank( all the above mentioned form of earnest money issued within the State of Jharkhand), Bank Draft and Bank Guarantee issued by any Scheduled Bank anywhere in India.

(Authority: Rule 161 (ii) of JPWD code 2012.

**9.22** The amount of earnest money to accompany the tender and the amount and nature of the security deposit required in the case of accepted tender should be informed to the participants before. The tender notice should also stipulate that contractors submitting tenders should furnish GST Registration along with it.

(Authority: Rule 159(v) and 159 (vi) of JPWD code)

### **Acceptance of tenders**

**9.23** Governor is pleased to delegate to the Chief Engineer the powers to authorize the Executive Engineers and Sub divisional officers of the Public Works Department either as a class or individually to accept tenders up to the limits and subject to the conditions specified below-

- (1) Executive Engineers.....Up to Rs.10,00,000



The amount of tenders (added to the cost of materials where materials are supplied by Government to the contractor) must not exceed the amount of the sanctioned estimate by an amount greater than that which the Executive Engineer is empowered to sanction.

(2) Sub Divisional Officers..... Up to Rs. 50,000

The amount of tender must be strictly limited to the amount of the sanctioned estimate.

**9.24** The Executive Engineer, Superintending Engineer and Chief Engineer of the Public Works Department have been authorized by the Department to accept tenders up to the limits and subject to the conditions specified below:-

(1) Executive Engineer.....up to Rs.10,00,000

(2) Superintending Engineer..... up to Rs.50,00,000

(3) Chief Engineer ..... up to Rs.2.50 crore

(4) Committee chaired by Engineer-in-Chief above Rs 2.50 crores

(Authority: Rule 291 & 292 XVI (i) of JPWD code 2012)

Acceptance of piece work agreement

**9.25** The following rules regulate the acceptance of piece work agreement-

(a) Except as provided in clause (c) below, piece work agreements should not be accepted for any work, being the whole or part of any sanctioned project, the sanctioned estimate for which exceeds Rs.2.50 lakh

(b) If the sanctioned estimate of the work exceeds Rs.60000 the previous approval of the Superintending or Chief Engineer should be obtained before the piece work system is adopted.

(c) With the approval of the Superintending Engineer, piece work system may be adopted for earth work dressing and turfing in road and Irrigation projects up to a limit of Rs.12.50 lakh. It may also be adopted for work on the collection and consolidation of road metal even when the estimate for such work exceeds Rs.2.50 lakh provided that the cost of the work given out on an individual contractor does not exceed Rs.1.25 lakh

(d) The provision of paragraphs 130 and 161 should be strictly observed and no tender for piece work should be accepted by an Executive Engineer if in similar circumstances it would not be within his power to accept a tender for contract.

(Authority Rule 166 of JPWD code 2012 adopted by the Jharkhand Government)

**Departmental execution of work**

**9.26** All original works costing below Rs.2.50 lakh shall be executed departmentally

(Rule 158a of JPWD Code 2012)

**Procedure for award of works to contractors**

**9.27** The contractors for execution of works in the Public Works Department are classified into five categories as follows and award of any work to any individual contractor, the cost of which exceeds the amount noted against the class to which he belongs, is prohibited except with the prior approval of the Chief Engineer:

- (a) Class I.A Qualified to tender for works of any value
- (b) Class I B Qualified to tender for works up to Rs.100.00 lakh
- (c) Class II Qualified to tender for works up to Rs.50 lakh
- (d) Class III Qualified to tender for works up to Rs.30.00 lakh
- (e) Class IV Qualified to tender for work up to Rs.10.00 lakh
- (f) Class V Qualified to tender for works up to Rs.5.00 lakh only
- (g) Class VI Qualified to tender for works up to Rs.1.00 lakh only

(Authority: Jharkhand Enlistment of contractors Rules 2003)

**Security Deposit for performance of Contract.**

**9.28** Security is to be taken for the due fulfillment of a contract. This security should be for total amount of 10(ten) % of the contract value which may comprise of -

- i) Amount deposited as earnest money duly endorsed to the Executive Engineer.
- ii) Certificates and papers mentioned in paragraph 161 of JPWD code duly endorsed to the Executive Engineer. Such certificates and paper or bank guarantee should be valid upto the defect liability period after completion of the work.
- iii) A deductions of rest amount from the monthly/ periodic payments to be made on account of work done.
- iv) All security furnished by the successful agency is to be verified within shortest possible time. The same expediency should be observed in case of renewal of the security or recovery of money. Under no circumstances without renewal any payment should be made to any agency.

**Note 1** - Parties concerned may be permitted to make either a suitable deposit or guarantee arrangements with any Bank which lodges with the Reserve Bank of India requisite securities in respect of the guarantee to be executed or fixed deposit receipts to be tendered by it on terms and conditions laid down by Government in this behalf from time to time.

**Note 2-** Due precautions should be observed while refunding the security deposit of the concerned agency after the completion of the work.

(Authority : Paragraph 172 of JPWD Code 2012)

**Acceptance and communication of contract /agreements to audit**

**9.29** Certified copies of important contracts with high value entered into by the officers of the PWD shall be furnished to Audit office.

(Authority : Rule 169 (v) of Bihar Financial Rules adopted by the Government of Jharkhand)

**9.30** Sanctions to Contract agreements accorded by the Divisional Officer, the tenders of which are accepted by authorities higher than the Divisional Officer should be communicated to the Pay & Accounts Officer by the authority who accepted the tender in such form as to enable that officer to check the payments to Contractors on the basis of rates sanctioned for each item of work or supply on other necessary terms and conditions. Duplication of agreements should in no case be required, that is to say, an authority who has concluded an agreement should not be required to draw up and sign again an agreement already

(Note 2 to Para 4.41 of CPWA Code)

**9.31 Miscellaneous Powers of the Officers of the Public Works Department**

**I. Purchase, manufacture or repair of**

(a) Office furniture

Chief Engineer ..... Full Power  
Superintending Engineers... up to Rs 75000

(b) Live stock

Chief Engineer..... No powers  
Superintending Engineer.... No powers  
Executive Engineer..... No power

(c) Tents

Chief Engineer..... Full powers  
Superintending Engineer... Rs.35000 for each estimate

(d) Tools and Plant other than (a) (b) and (c)

Chief Engineer..... Full powers  
Superintending Engineer... Purchase up to Rs.1.50 lakh for each estimate for a new supplies and for repairs within the limits assigned to his circle in the budget Estimate.  
Executive Engineer..... Up to Rs.15000

**II. Purchase of stores**

Stores other than tools and plant. – Stock, road metal and other materials required in ordinary course for the execution of sanctioned works, may be procured on the responsibility of the Executive Engineer without special authority, though the Superintending Engineer’s approval should be obtained to the measure proposed for the purchase of the stock in large quantities.

(Authority : Paragraph 257 of JPWD Code 2012)

**III. Disposal of stores-**

**Superintending Engineer** can order disposal of all unserviceable stores including stock, tools and plant, materials at site of works and materials received from works dismantled or under going repairs and to sanction their write off, where necessary. Also sanction the issue of any materials from store to private persons or other departments (including State Railways) for full value plus usual charge of 10 per cent when this can be done without inconvenience to the public service.

**Note** -The State Government have waived the departmental charges leviable under rules 152 and 176 of Bihar Financial Rules on the sale of G.C.I sheets to the Health Department.

The sale proceeds will be booked under the head 1059 Public Works other receipts.

(Authority: Delegation of Financial Powers (Rule 292 of JPWD Code 2012 and Rule 152 and 176 of Bihar Financial Rules)

**Executive Engineer** – To sanction the writing off from the returns of tools and plant of all tools and plant- the full value of which has been recovered

and issue orders for disposal by sale or otherwise of surplus stores at their full value and of materials received from works dismantled for undergoing repairs at their estimated value up to Rs.5000.

Sanction sale of articles on the stock accounts to persons -for full value plus 10% up to Rs.5000

**IV. Losses due to depreciation**

**Superintending Engineer-**To sanction estimates for losses due to depreciation of stock up to a limit of Rs.70000/- with condition that reasons are reported to the Chief Engineer and the Accountant General

**Executive Engineer-** No powers

**V. Write off**

**Chief Engineer and Superintending Engineer-** To write off the irrecoverable value of stores of public money subject to the conditions (a) that the loss does not disclose a defect of system the amendment of which requires the orders of the Government and (2) that there has not been any serious negligence on the part of some individual officer or officers which might possibly call for disciplinary action up to a maximum limit of Rs.3500.

**VI. Losses in Manufacture**

All unusual losses in the manufacture of materials must, on their occurrence, be reported to the Superintending Engineer-

(Authority : Paragraph 142 of JPWD code)

**Powers of Executive Engineer**

**9.32** The powers of the Executive Engineer in respect of Work Divisions of Jharkhand are provided in Paragraph 294 of JPWD Code 2012

(i) **Alteration in design-** Power to sanction trifling alterations in the constructional details of works during their execution in cases of necessary reporting as a general rules, his action to the Superintending Engineer.

(ii) **Technical sanction and approval of BOQ-Rs 25 lakh** for each work provided that Administrative approval has been accorded by the competent authority. These powers apply to deposit works also.

(iii) **Excesses over sanctioned estimates-** Powers to pass all excess of not more than 20 per cent of the amount of original estimate sanctioned by himself or by higher authority provided that total amount of the excess is within the limit of his powers to sanction estimate technically under Para 294 of JPWD Code 2012. But, an Executive Engineer has no power to sanction any excess over a revised estimate sanctioned by higher authority.

(iv) **Approval of excess beyond agreement** – EE has power to approve maximum 10 % beyond agreement amount which will be inclusive of claim or due to supplementary agreement and it will be subject to permissible limit of Administrative approval.

(v) **Emergent repairs** – Full powers to sanction the emergent repairs to works to any reasonable and necessary amount in case of imminent danger to the structure but

this should be reported as a general rule to the Superintending Engineer within 15 days.

(vi) **Contract** – Power to accept tenders up to Rs.10 lakh for original works.

(vii) **Departmental work** – EE has power to sanction execution of work departmentally for the works up to Rs 1 lakh subject to maximum of Rs 5.00 lakh in an year. But, this will be reported in writing to the department within 15 days of such order.

(viii) **Deposit Work-** Power to authorize undertaking of contribution or Deposit Work up to Rs. 10,000 excluding departmental charges.

(ix) **Purchase. Manufacture and repair of tools, plants and accessories-** Power to sanction the purchase, manufacture and repair of Tools and Plant (excluding live-stock, office furniture and tent upto Rs 15000.

(x) **Write off** – Executive Engineer has power to sanction the write off, from the tools and plant returns, of all tools and plant the full value of which has been recovered. He has also powers to issue orders for disposal by sale or otherwise of surplus stores at their full value and of materials received from works dismantled or undergoing repairs at their estimated value, if the the value of such store is upto Rs 5000.

(xi) **Disposal of Stores**

(a) **Powers to issue orders for disposal by sale or otherwise of surplus stores** including at their full value materials received from works dismantled or undergoing repairs their estimated value when the original purchase value of the articles does not exceeds Rs. 5000/-

(b) **Powers to sanction the sale of articles on the stock accounts to private persons** at full value, plus the supervision charges of ten percent when this can be done without inconvenience to the public service up to limit of Rs. 5000/- (Para 294 of JPWD Code 2012)

(c) **Power to issue orders for the disposal by public auction of unserviceable materials** after dismantling of Public works buildings at their estimated value, when the estimated value is up to Rs. 10,000 (Para 294 of B.P.W.D. Code).

(xii) **Technical sanction to detailed estimates for special repairs-** Power to sanction such estimates up to Rs.1,00,000 .

(xiii) **Technical sanction to detailed estimates for ordinary repairs-** Power to sanction within the limit of budget allotments for each work plus such amount as can b provided by re-appropriation.

(Authority : paragraph 294 of JPWD Code 2012.

(xiv) **Advances to Contractor on the security of materials brought to site for contract for finished work-** Power to sanction advances up to an amount not exceeding 75 per cent of the market value of the materials provided that they are not of perishable nature and that a formal agreement is drawn up with the contractor under which Government secures a lien on the materials etc.

(paragraph 251(a) of Bihar Public Works Account Code adopted by Government of Jharkhand.)

**9.33 Purchase of manufacture of stock** – Reserve of stock will be maintained only when necessitated by the remoteness of the division or works from the market or source of supply, or for use in emergency. When it is considered necessary that reserve should be maintained the maximum limit will be fixed by the Chief Engineer. Divisional Officers are empowered to purchase or manufacture stores to maintain the reserve subject to the approval or sanction to estimates, vide paragraphs 261 and 262 of JPWD code.

(Authority : paragraph 263 of JPWD Code 2012.)

**9.34** Based on the approval of the Cabinet, the Government of Jharkhand, Road Construction Department, Ranchi decided (26 March 2002) that all materials required for execution of contracts over Rs 10 lakh would be supplied by the contractors and not by the department. It was also decided that “approved percentage rates” over the tendered Bill of Quantity (premium rates) were not payable to contractors on the cost of materials like bitumen, cement, steel, rods, pipes and other construction materials including carriage and profit, supplied and utilised by them in the works.

**9.35 Repair:** Materials required for maintenance and repair to works shall be indented for by the Sub-Divisional Officer to the extent that can be consumed within a year. The Executive Engineers will be held personally responsible for the strict observance of this rule; unless such materials can be straight way made over to specific repair works, they should be brought on to stock.

(Authority Para 275 of JPWD code 2012)

**9.36 Unused Stock:** When submitting his second half yearly return of stock the Sub-Divisional Officer shall submit a list of items for which there have been no transactions for the last two years. The Executive Engineer shall obtain the orders of the Superintending Engineer as to the disposal of such materials. The Superintending Engineer should make every attempt to obtain the utilisation of this stock by other Executive Engineers in his own or other Circle and if they cannot be so disposed of, order then to be sold.

(Authority Para 276 of JPWD code 2012)

**9.37 Tools and Plant :** When submitting their annual return of tools and plant the Sub divisional Officers shall submit a list ;of all tools that have not been used for two years and/of plant that has not been used for three years and the Executive Engineers shall obtain the orders of the Superintending Engineer regarding their disposal. The Superintending Engineer shall ascertain whether these tools and plant are required in any other circles and if not, sanction their sale by calling for sealed tenders or by public auction (with a reserve price) whichever is more likely to obtain the better price. In a case; where; neither method is likely to fetch a good price, a private sale may be accepted with previous permission of the Superintending Engineers, who will satisfy himself as to adequacy of the offer before according his permission.

Before any new tools and plant are indented for by any Executive Engineer he must ascertain from the Superintending Engineer, whether they can be made available from other circles.

(Authority Para 277 of JPWD code 2012)

### **9.38 Powers of Superintending Engineer**

#### **(i) Unserviceable stores**

(a) The Superintending Engineers shall have full powers to dispose of all unserviceable stores including stock and tools and plant, materials at site of

worm, materials received from works dismantled or undergoing repairs and to sanction their write off whenever necessary.

(b) The Superintending Engineers shall have full power to sanction write off of the irrecoverable stores mentioned in item (i) above.

(Authority Para 293 of JPWD code 2012)

**(ii) Surplus stores**

The Superintending Engineer shall have power to dispose of surplus stores including stock and tools and plant materials at site of works and to sanction their write off where necessary value of which is up to Rs. 70,000 in each case subject to the condition that reasons should be recorded and communicated to the Chief Engineer and the Accountant General Jharkhand. In case of tools and plant where the book value cannot be ascertained the estimated value should be taken into account.

(Authority Para 293 of JPWD code 2012)

**Delegation of Financial Power**

**9.39** The powers delegated to the Chief Engineers have been described in Rule 292 of JPWD Code 2012.

**9.40** The powers delegated to the Superintending Engineers have been described in Rule 293 of JPWD Code 2012

**9.41** The powers delegated to the executive engineers in charge of a division have been described in rule 294 of Jharkhand PWD code 2012.

**9.42** The powers delegated to the Assistant Engineers have been described in Rule 295 of JPWD Code 2012.

**Duties and responsibilities of Divisional Accountant/ Divisional Accounts Officer:**

**9.43** The duties of the Divisional Accountant / Divisional Accounts Officer have been set forth in Chapter – IV of the BPWA Code adopted by Government of Jharkhand. The Divisional Accountant / Divisional Accounts Officer should not be allowed to prepare contractor/ suppliers bill.

**9.44** To assist the Divisional Officer in the discharge of their responsibilities referred to in Paragraph 21 of Chapter IV of BPWA Code adopted by Government of Jharkhand, the Accountant General will post a Divisional Accountant to each Divisional Office.

**9.45** (a) The functions of the Divisional Accountant are three fold –

- (i) an accountant i.e. as the compiler of the accounts of the division in accordance with the prescribed rules and from the data furnished to him.
- (ii) as primary auditor charged with the responsibility of applying certain preliminary checks to the initial accounts, vouchers, etc and
- (iii) as financial assistant i.e. as the general assistant and adviser to the Divisional Officer in all matters relating to the accounts and budget estimates, or to the operation of financial rules generally.

(b) In the discharge of these duties he is required to keep himself fully conversant with all sanctions and orders, passing through the office and with other proceedings of the Divisional Officer and his subordinates which may affect the estimate for accounts

of actual or anticipated receipts and charges. He should advise the Divisional Officer on the financial effect of all proposals for expenditure and keep a watch, as far as possible, over all liabilities against the grants of the divisions as they are incurred.

(c) The Divisional Officer should see that he is given the fullest opportunity of becoming conversant with these sanctions, orders and proceedings. To enable him to discharge his duties efficiently, the Divisional Accountant is treated as the senior member of the office establishment of the division, though his position is analogous to that of a Sub divisional Officer of the Public Works Departmental code.

(Authority : Para 22 of BPWA Code adopted by Government of Jharkhand)

**9.46** The Divisional Accountant is expected to see that the rules and orders in force are observed in respect of all the transactions of the division which come within his sphere of duties. If he considers that any transaction or order affecting receipts or expenditure is such as would be challenged by the Accountant General if the primary audit entrusted to the Accountant were applied by the former, it is his duty to bring this fact to the notice of the Divisional Officer with a statement of his reasons and to obtain the orders of that officer. It will then be his duty to comply with the orders of the Divisional Officer but if he has been overruled and is not satisfied with the decision, he should at the same time make a brief note of the case in the Register of Divisional Accountant's Audit objections, and to lay the register before the Divisional Officer, so that the latter have an opportunity either of accepting the Divisional Accountant's advice on reconsideration and ordering action accordingly, or of recording, for the information of the Accountant General, his reasons for disregarding that advice. An objection entered in this register should not be considered as finally disposed of until it has been reviewed by the Accountant General, for whose inspection the register should be available at all times.

(Authority : Para 23 of BPWA Code adopted by Government of Jharkhand)

- 9.47** (i) The Divisional Accountant is responsible for arrangements for checking the computed tenders i.e. for seeing that satisfactory and efficient arrangements are made for checking;
- (ii) he should conduct personally a test check of the computed and checked tenders sufficient to satisfy himself reasonably that the checking work has been properly done and
- (iii) he should see that the comparative statement correctly incorporates the totals as checked on the individual tenders.

(Authority : Para 24 of BPWA Code adopted by Government of Jharkhand)

- 9.48** (a) The Divisional Accountant should bring to the Divisional Officer's notice all instances in which subordinate officers exceed the financial limitations on their powers placed by the Divisional Officer or higher authority.
- (b) He may further be required by the Divisional Officer to undertake on his behalf, such other scrutiny of the accounts of the receipts and disbursements of subordinate officers falling within the Divisional Officer's own powers of sanction, as the latter may consider necessary.
- (c) The Divisional Accountant should not be required to receive or pay out cash but in cases where the monetary transactions at the headquarters; of the Divisional Office are not large, either in number or in amount, the Divisional Officer may, on his own responsibility and with the previous consent of the



Accountant General entrust the receipt and disbursement of cash to the Divisional Accountant

(Authority : Para 25 (a), (b) and (c) of BPWA Code adopted by Government of Jharkhand)

**9.49** The Divisional Accountant is further required to inspect periodically under the orders of the Divisional Officer, the accounts records of sub divisional offices and to check a percentage of the initial accounts. The defects noticed should be reported to the Divisional officer for orders, but the Divisional Accountant will be responsible, as far as possible, for personally explaining the defects of procedure and imparting necessary instructions there on to the sub divisional officers and their staff.

The results of these inspection should be placed on record for the inspection of the Accountant General, but serious financial irregularities should be reported at once for the information of that officer, even though set right under the orders of competent authority. With the exception noted below, any defalcation or loss of public money, stores or other property should be reported immediately to the Accountant General and other authorities concerned even when such loss has been made good by the person or persons responsible for the same. On receipt of a report of embezzlement of public money involving amounts exceeding Rs.500 the PWD will examine the matter and submit the same to the Chief Minister through the Chief Secretary after consideration by the Minister in charge but before the issue or orders.

(Authority : Para 26 of BPWA Code adopted by Government of Jharkhand)

**9.50** The Divisional Officer has a right to seek the advice of the Accountant General in all matters connected with the accounts of his division or the application of financial rules and orders, concerning which there may be any doubt. It will usually be desirable, however, that he shall first obtain the advice of the Divisional Accountant who is specially trained for this duty, and this should be done in writing in all cases of importance.

(Authority : Para 27 of BPWA Code adopted by Government of Jharkhand)

### **Stages prior to execution of work**

**9.51** Before execution of any work four items are basic pre-requisite

- (i) Administrative Approval
- (ii) Expenditure Sanction
- (iii) Technical Sanction
- (iv) Appropriation or Re-appropriation of fund

**9.52 Administrative Approval** – For execution of every work concurrence of the competent authority from the administrative department requisitioning the work is required. Administrative approval is accorded on the basis of primary estimates

(Rule 201 of Bihar Financial Rules adopted by GOJ and Rule 121 to 124 of JPWD Code 2012)

**9.53 Expenditure sanction** - After the administrative approval is received from the administrative department, expenditure sanction to be accorded to indicate that funds for the projects have been provided and liability can be incurred

(Rule 219 of BFR and Rule 125 of BPWD Code).

**9.54 Technical Sanction** – Except for the petty works upto Rs 25000 and annual repairs for which lump sum provision has been sanctioned by the Superintending Engineer under

paragraph 204 of JPWD Code 2012, for every work proposed to be carried out, a properly detailed estimate must be prepared for the sanction of the competent authority. This sanction is known as Technical Sanction. This is accorded by the competent technical authority such as Secretary to the Government/ Chief Engineer/ Superintending Engineer/ Executive Engineer.

(Rule 223 of Bihar Financial Rules adopted by GOJ and 126 to 128 of JPWD Code 2012).

**9.55 Appropriation and re-appropriation** – Appropriation means allotment of a particular sum of money to meet specified expenditure out of funds placed at the disposal of the assigning authority. Re-appropriation means the transfer of funds from one unit of appropriation to another unit. As a fundamental principle, no outlay on a work should be incurred without funds having been allotted for it by appropriation and re-appropriation.

(Rule 129 of JPWD Code 2012)

**Categories of work:**

**9.56 Original work** – It indicates whether the construction work is a new work or additions and alterations to existing work of newly purchased, acquired or previously abandoned properties required to be brought in to commission again. Original Works are divided into three classes

- (i) Major Works – Works costing above Rs. 25 lakh
- (ii) Minor Works – Works costing above Rs. 25000 and upto Rs. 25 lakh
- (iii) Petty Works – Works costing up to Rs. 25000

(Rule 99 of JPWD Code 2012)

**9.57 Repair and maintenance** – It consists of four types of repair works:

- (i) Ordinary Repair
- (ii) Special Repair
- (iii) Major Repair
- (iv) Minor Repair

The principles of classification of works under categories are detailed in Footnote (35) of Appendix 2 to the Bihar/Jharkhand Public Works Account Code.

(Rule 98 of JPWD Code 2012)

**Categories of work in Irrigation Projects**

**9.58** It is based on cultivable command areas. There are three types of irrigation works i.e. Major Project, Medium Project and Minor Schemes

(Rule 207 of BFR)

**Note:** For irrigation projects details rules are incorporated in the Bihar Irrigation Manual)

**9.59** For every new work initiated by the PWD, Administrative Approval is necessary. Before granting such approval, authorities must ensure that proposal is in public interest, technically sound and preliminary estimates are sufficiently correct. (Rule 201 and 202 of Bihar Financial Rules adopted by GOJ).

**9.60 Technical Sanction** – For every work proposed to be carried out except annual repairs a properly detailed estimate must be prepared for the sanction of the competent authority. This sanction is known as Technical Sanction. This is accorded by the competent technical authority such as Secretary to the Government/ Chief Engineer/ Superintending Engineer/ Executive Engineer.

(Rule 223 of Bihar Financial Rules adopted by GOJ and 126 to 128 of JPWD Code 2012).

**9.61 Expenditure should be sanctioned.** Allotment of funds for the work by legislature sanction in the budget is to obtain at the beginning of the year. Additional fund required for can be made available by re-appropriation, supplementary grant and additional grants. A

project report should be prepared. This should consist of salient features of the project, specification detail statement of measurement of items of work to be executed, quantities and rates and total cost of works. Inviting tenders and placing work orders are essential items of work. Execution of work, completion of work and handing over to the user department in a stipulated time may be seen during the course of audit.

Detailed analysis of major work

**9.62** It is one of the items of work to be carried out by the team leader of audit party. Works, of which detailed analysis is to be carried out, is to select by the Headquarters section in the A.G. (Audit) office. The selected work normally should be completed major work. Detailed analysis means step by step examination of all types of records concerning to the major works completed during the period covered by audit. This examination helps auditor in finding out the irregularities committed during execution. Given the knowledge of conducting analysis of work, auditor will understand the checks to be exercised at each completed stage of the work.

**9.63 Major Work** – The work costing above Rs 25 lakh are categorized as major works. This is original work entrusted to the registered contractors.

(Paragraph 99 of JPWD Code 2012)

**9.64 Responsibility of audit in regard to development of schemes:**

In view of the large development schemes undertaken in most part of Jharkhand the accounting and auditing of some of which fall within the scope of duties of audit department. The C&AG instructed his department with a special emphasis on the responsibility of audit. He has observed that within the limits it is the duty of the audit department to secure that in respect of all large projects whether remunerative or otherwise, Govt. is promptly apprised of any facts reflected in the accounts which may afford ground for the conclusion that the original estimate will be substantially departed from in and unfavourable direction and so be in a position to realize their ultimate commitments as soon as possible.

**9.65** The C&AG has directed that the following further points should be borne in mind in this connection

- (i) it should be seen that expenditure proceeds against regular detailed working estimates sanctioned from time to time by the competent authority and identifiable with the project estimate
- (ii) large scale expenditure incurred without sanction and vaguely comparable with the project estimate, should be promptly brought to the notice of the controlling authority
- (iii) when the working estimates appear to disclose a material departure from the project as administratively approved, it should be ascertained that the deviation has approval of the authority which accorded the original administrative approval

**9.66** Maintenance of law and order should be regarded as primary function of the government, the cost of which should normally be debited to the ordinary head of the classification. The only relaxation of this rule which may be permitted is the recognition of the principle which has been accepted in the case of additional police that any person or body requiring closer police supervision than is accorded in the ordinary public should meet the additional expenses entailed. As regards, other heads of service, the principle followed should be that any expenditure which is for the direct and immediate benefit of a project while under

construction may be treated as a legitimate charge against the project. The idea although it is theoretically accurate of charging a project with the excess over the normal standard of expenditure provided by government in discharge of its ordinary responsibility should be abandoned. In practice, nearly all large construction projects involve the bringing together in a very limited area of large masses of people which entail arrangements so far in excess of those previously existing in the same area that the whole cost can quite legitimately be borne by the concern.

### **9.67 Works and Accounts Management Information System (WAMIS)**

Works and Accounts Management Information System (WAMIS) is an innovative initiative for simplification of complex procedure of works and infrastructure management of the State. WAMIS assists in the overall project management and financial management. It was developed by Centre of Development of Advance Computing, (CDAC), Pune. It is presently being used in the Works Departments<sup>16</sup> and Forest, Environment and Climate Change Department. It was launched in 2017.

Before 2017 manual process being used, was being felt hectic and erroneous. It was also felt that manual process was taking longer time to prepare and monitor the financial year reports leading to delay in proper budget planning. Monitoring of the physical process of works was also time taking and not transparent for each individual department leading to improper management and misuse of budget allocation. Accountant General and treasuries were already doing online activities, but due to the manual process of the works and accounts of the departments, it aroused the communication gap between state agencies and different stake holders.

WAMIS System covers the entire life cycle of typical construction project work right from its inspection to its final completion. WAMIS has been developed with the view that all financial transactions pertaining to the State/Central Plan Schemes/Projects are accessed by the Executive, Legislature, Internal Audit, External audit and the citizen at large and the same be assessed against the physical progress and the desired outcome.

The System is work flow enabled and comprises of various building blocks in the form of module as described below:

**1) Works And Billing:** This module captures the entire information of a typical construction work from proposal stage. Approvals in the form of administrative approvals, Technical sanctions. stages of approvals are embedded with supporting tools for estimation in support of approvals. Subsequently this module caters to the need of generation of contractor's bills on the basis of recorded measurements based on the SoR. The bill thus generated becomes an input to the Accounting system as a voucher.

**2) Accounts Management System:** This is a voucher Based accounting system that captures all the financial transactions in a typical DDO office. This system generates all the relevant schedules including the cashbook that are required to be submitted to the office of the AG at the end of every month. This system is based on the CPWA code, which has been prescribed for various engineering departments for accounting purposes.

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<sup>16</sup> Road Construction, Building Construction, Rural Works, Drinking Water & Sanitation, Water Resources and Energy

**3) Mobile Application for project site survey/inspections:** To ensure that works taken up under various programmes /schemes meet the requisite standards and to assess the actual progress of individual works a mobile-based application has been developed. This application enables the user to take geo-location tagged photographs as well as record other parameters pertaining to project site inspections/survey of the on-going works at the location of their construction site. Photographs thus taken through this mobile based app can later be viewed through a viewer application deployed as a part of WAMIS MIS along with various other financial and works related data captured/processed through WAMIS.

**4) MIS:** A comprehensive MIS has been developed in the form of dashboard that gives a analytical view of the physical and financial status of the various projects undertaken by the department and compiled for all the offices of the department. The analysis is carried out under various parameters such as Head of Accounts, Schemes/ Programmes, User Departments, Infrastructure types, Allotment, Defined physical scope etc assessed against Budgetary Grants, MB Recordings, and Stipulated Time Frames.

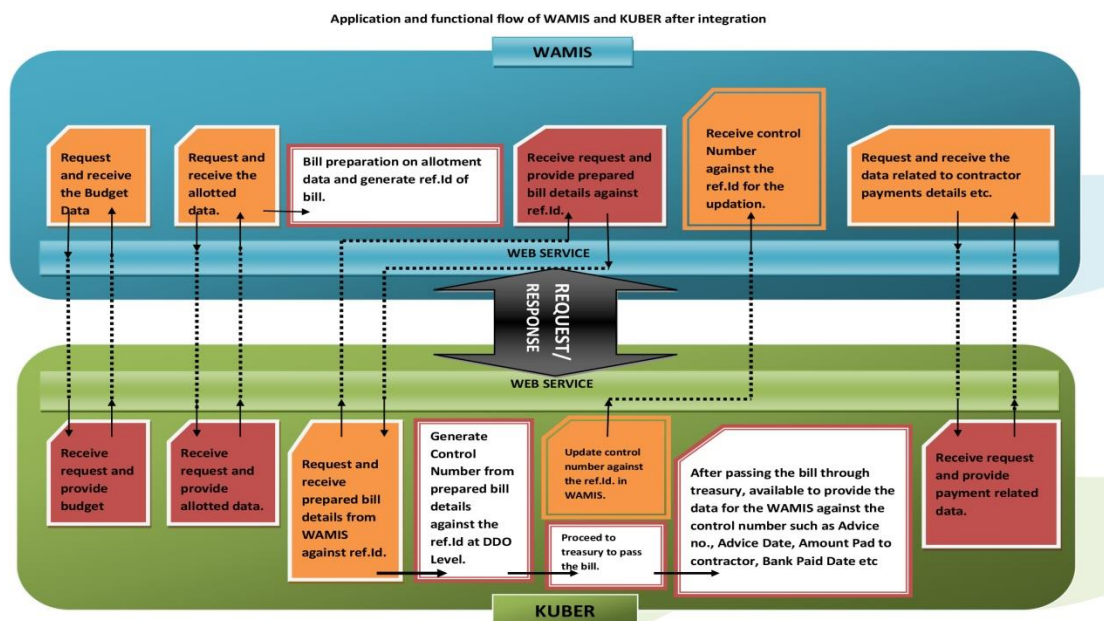
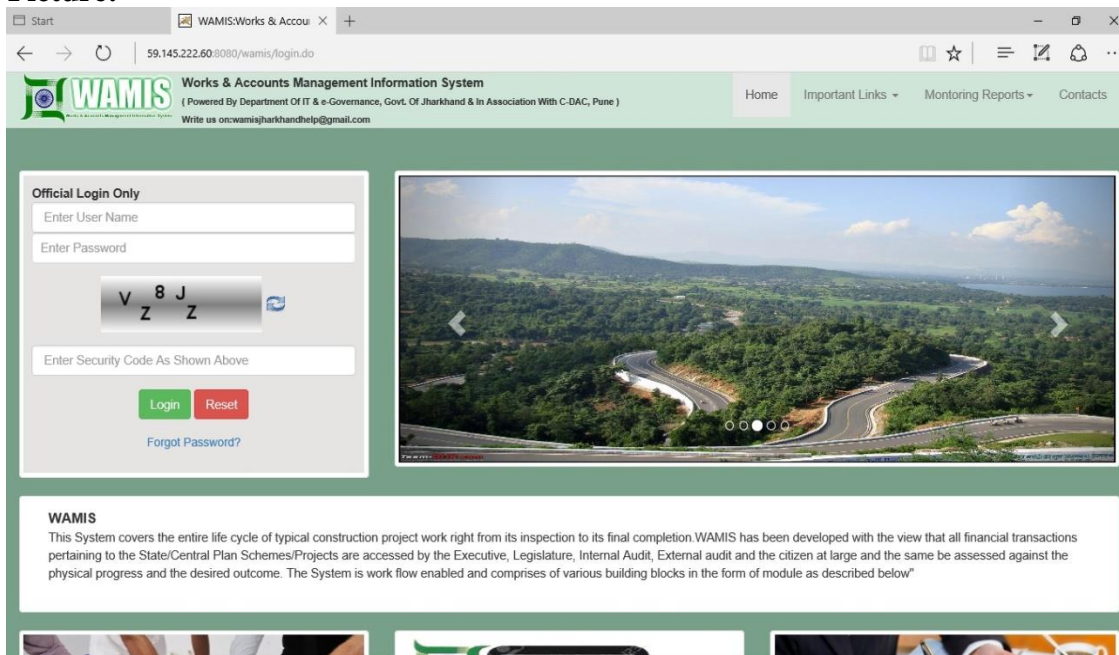
**9.68 Impact :** Following are the impacts of the WAMIS project

- 1) Less human errors
- 2) Faster compilation of accounts at office of the Accountant General.
- 3) Department wise proper utilization of budget.
- 4) More rigid monitoring by the State Secretaries and Accountant General to reduce corruption.
- 5) Proper communication related to budget and expenditure between different state agencies and stake holders.
- 6) Integration between Accountant General and state treasuries .
- 7) Works and Forest Departments are bound to work as per the PWD and forest code.
- 8) Easier to submit the monthly accounts to office of the Accountant General without any delay.
- 9) Paperless flow of the online works billing and accounts.
- 10) Bring more transparency.

**9.69 Key Takeaways :**WAMIS application suits the best e-Governance project for Works and Accounts due to the following takeaways

- 1) Reduction in human errors.
- 2) Reduction in corruptions.
- 3) Better utilization of departmental budget.
- 4) Reduction in paper works.
- 5) Bringing more transparency.

9.70 Picture:



9.71 Process of working at WAMIS in the Division offices

Whenever a new work is decided to be taken up, Executive Engineer of the concerned work division office, logs on to the portal of WAMIS through the Log-in Id and password provided to him and inserts the nature and other details of that work viz Administrative approval, Technical Sanction etc . Each work division has been assigned a Division number. The new work so inserted by the Executive Engineer is also provided a unique, system generated work Id by the WAMIS. After entering the details the Executive Engineer logs-off.

After that the Junior Engineer of the concerned section of the concerned work division office, logons to the portal of WAMIS through the Log-in Id and password provided to him and searches the new work on the WAMIS through unique work Id assigned and uploads against it the BOQ details for that particular work. After entering the details the JE forwards it to AE and logs-off.

Assistant Engineer of the concerned sub-division, after uploading the BOQ details of the concerned work by the JE, logons to the portal of WAMIS through the Log-in Id and password provided to him and checks the details uploaded by JE. If he is satisfied, he approves it at his level. If he is not satisfied with the BOQ, he returns it back to JE for necessary corrections. After finalizing the BOQ details the AE forwards it to EE and logs-off. Similarly, it is checked and finalized by the Executive Engineer who thereafter inserts the data of tender viz Terms and conditions, class of tender, type of tender, amount of BOQ etc. which is to be called for.

After receiving the bids from the Tenderers/participants/bidders, Executive Engineer ensures insertion and uploading of the rates quoted by all the agencies/bidders participating. After finalization of tender, he also ensures uploading of the details of agency (name, amount etc..) to whom the work is awarded.

### **Billing of Running Account bills**

After the execution of work, the concerned JE enters the item-wise quantities of the concerned work over WAMIS by logging-in through his log-in Id and password and forwards it to the concerned AE who either accepts, approves and forward to Cashier/next level or returns it back to JE for required corrections. Cashier, through his log-in Id password, receives and forwards it to Accountant. Accountant then checks and effects the deductions and forwards it to EE. EE checks the bill and enters and uploads it on the Kuber portal through his (DDO's) log-in Id and password at Kuber.

The process of uploading the Running Account bill details of Kuber by EE is called "Fetching". As soon as work is fetched by EE, Work RA bill details are displayed thereat, a control number is generated by Kuber and beneficiary details are displayed at the system on the Cheque number supplied by the Cashier/Accountant.

### **9.72 Audit of Monthly Accounts and Related Records**

**9.72.1** The audit of monthly accounts and the schedules relating to several suspense and other balanced heads of account consists not only the application of the ordinary procedures of audit of expenditure and receipts to various debit and credit transactions accounted for during the month, but also scrutiny to ensure that:

- I. the accounts have been received in complete and proper form;
- II. unadjusted balances under the suspense and other balanced heads have been correctly carried forward separately from month to month;
- III. these balances continue to represent bonafide assets or liabilities of Government capable of being realised or settled, as the case may be; and
- IV. satisfactory action towards such realisation or settlement is being taken by the Divisional Officers.

In conducting this audit, the provisions of the Account Code, Volume-III, and the Financial Rules of Government relating specially to these accounts should be borne in mind.

**9.72.2** It is an important function of Audit to see, as far as possible during local audit that the balance relating to each individual item, work, or job is kept distinctly and correctly and that

the balances of several items relating to each head of account make up the aggregate balance recorded under that head.

### **Monthly Account**

**9.72.3** Scrutiny and check of the Monthly Accounts involve mainly the following:

- I. Verification of their proper format and completeness.
- II. Specific examination of the “Memo of Miscellaneous Cash Receipts Paid into Treasuries” and the Divisional Officer’s certificate of cash balance recorded on the reverse of the monthly accounts to ensure that there are no deviations from prescribed rules.
- III. Verification of the receipt of the original reports and certificates in support of the Monthly Account for March prescribed in Article 234(a) of the Account Code, Volume-III, and of the balances certified therein to ensure that these are equal, in the aggregate, to the closing cash balance as reflected in the monthly account.
- IV. Investigation of the causes and implications of any unusual or serious instances of rush of expenditure towards the end of March disclosed in the statement of cheques issued during that month and received along with the accounts of any Division for the month of March. (Article 234(b) of the Account Code, Volume-III, is of relevance in this context).

### **Schedule of Revenue Realised**

**9.72.4** The audit of this Schedule should be conducted mainly with reference to the general directions contained in Section-II, Chapter-3, subject always to the provisions contained in the financial rules of the Government concerned and its service rules in regard to rents of public buildings (including installations) recoverable from the persons occupying them.

**9.72.5** It is primarily the Divisional Officer’s responsibility to see that all revenues or other debts due to Government, which are to be brought to account in the Public Works Section of the accounts in terms of Article 20 of the Account Code, Volume-III, are correctly and promptly assessed, realised and credited to Government account. It is nevertheless also the duty of the Audit Office to see that revenues and other receipts of which it has cognisance, either through any entries in Government accounts or otherwise, such as orders of special recoveries received from the competent authority, are brought to account by the Divisional Officer.

**9.72.6** In the course of audit of schedules of revenue realised, it should be seen that:

- I. cash realisations of revenue agree with the details of receipts indicated on the reverse of the monthly account;
- II. amounts not actually realised have not been credited to revenue except as provided in Note 2 below para 9.1.4 of the Central Public Works Accounts Code;
- III. amounts shown under “Recoveries of expenditure” are actually creditable to the relevant heads and are traceable in the Schedule of Percentage Recoveries; and
- IV. credits to revenue of sale proceeds or transfer value of unserviceable stores or other property are supported by the Survey Report and Sale Account; the disposal of the property has been authorised by the competent authority; the full value (including supervision or other charges that are to be levied under the rules) has been accounted for; and loss, if any, in disposal has been regularised by the sanction of the competent authority.

**9.72.7** If, under the rules of Government, separate schedules of rents of buildings and lands are submitted by the Divisional Office, detailed procedure for their audit will be prescribed



by the Accountant General (Audit) locally in consultation with the Government and incorporated in the local Manual. If it is noticed from the schedule that application of any rule, limiting the recovery of rent to a prescribed percentage of the emoluments of the occupant, has the effect of lowering the recoverable rent appreciably below the standard rent, the matter should be examined from the propriety angle, with reference to clauses IV(a) and V of Rules 45A and 45B of the Fundamental Rules or the corresponding Service Rules of Government.

### **Schedule of Refunds of Revenue**

**9.72.8** Refunds of revenue are usually classified in detail the same manner as revenue receipts but the amount of refund is required to be taken in reduction of revenue receipts under the major head concerned. It should be seen in Audit that:

- I. all refunds have been authorised by competent authority;
- II. schedules in respect of refunds made by the Divisional Officer in compliance with orders of a court of law remitting a fine previously credited to Government are accompanied by the original orders of the court as envisaged in Note 3 below Article 230 of the Account Code, Volume-III; and
- III. the amount in respect of each refund was available from the original receipt to which it pertained and a suitable note specifying the amount refunded has been recorded against the entry of receipts in the relevant receipts schedule.

### **Schedule of Works Expenditure**

**9.72.9** During audit of the Schedule of Works Expenditure it should be seen that:

- I. reference to the communication intimating the amount of sanctioned estimate/allotment is given in the schedule in cases where expenditure appears for the first time;
- II. the progressive expenditure does not exceed the amount of the sanctioned estimate or the allotment sanctioned for individual works or item of expenditure or groups of works or items of expenditure and action is being taken for regularisation of excesses, if any, over the estimate/allotment;
- III. action for fixation or revision of license fee has been taken on works connected with residential buildings being shown as having been completed; and
- IV. the prescribed certificate has been recorded by the Divisional Accountant, as required under Note 1 below para 22.4 of the Central Public Works Account Code, in cases where schedule docketts are not required to be submitted (vide Note 1 below Article 211 of the Account Code, Volume III).

### **Schedule of Deposit Works**

**9.72.10** Cash receipts under deposit shown in the Schedule of Deposit Works should be verified with the "Memo of Miscellaneous Cash Receipts Paid into Treasuries" shown in the Monthly Account (Form 80). It should also be seen that:

- I. the progressive expenditure does not exceed either the amount of the estimate or that of the cumulative deposit as recorded in the works register or in the schedule of deposit works and, if the progressive expenditure exceeds the cumulative deposit for a work, such excess (i.e. expenditure incurred in excess during the month as well as the upto date excess) is shown correctly in the schedule as debit to the head "Miscellaneous Works Advances" and it tallies with the entries in the Schedule of Miscellaneous Works Advances;

- II. in cases where Part II of the schedule is received monthly, all works which were included in the previous month's schedule but do not appear in Part I of the current month's schedule have been detailed correctly and in other cases, whenever it is received, it shows correct particulars of all unsettled deposit works of the Works Register other than those which appear in Part I for the month; and
- III. the Divisional Officer has taken action under the Financial Rules of Government to refund the unexpended balance of deposit or to effect recovery of the amounts spent in excess of the sums deposited, as the case may be, in the case of works shown as having been completed.

#### **Schedule of Takavi Works**

**9.72.11** When a realisation is credited in this schedule by debit to the detailed head "Cultivators" subordinate to the relevant functional major head, it should be seen that acceptance of the debit by the authority concerned accompanies the schedule docket. It should also be seen that all takavi works which were included in the previous month's schedule but do not appear in Part I of the current month's schedule have been detailed correctly in Part II of the schedule.

#### **Schedule of Debits/Credits to Miscellaneous Heads of Accounts**

**9.72.12** It should be seen in audit that only such disbursements and receipts which cannot be accounted for in any other schedule prescribed under Articles 213 to 224 of the Account Code, Volume III, have been noted in this schedule. It should further be ensured that no transactions have been accounted for under the final or debt head except under the authorisation of the Accountant General (A&E) as prescribed in Article 225 of the Account Code, Volume III.

#### **Schedule of Debits/Credits to Remittances**

**9.72.13** If any responding item is stated to have been brought to account provisionally, the objection raised by the Divisional Officer should be examined with a view to verify that it is not indicative of any deviation from the rules either on his own part or on that of the other party to the transaction.

**9.72.14** While scrutinising entries under the head "Public Works Remittances", it should be seen that the totals in the schedule in respect of "I. Remittances into Treasuries" and "II. Public Works Cheques" are supported by the necessary details in the Schedule of Monthly Settlement with Treasuries (Form 51) and that the figures agree with the corresponding figures in line 2 of the Form.

#### **Schedule of Settlement with Treasuries**

**9.72.15** While auditing the Schedule of Settlement with Treasuries, it should be seen that:

- I. the difference in line 5 is supported by the necessary details in respect of each treasury;
- II. there is ordinarily no difference at the close of the year except on account of cheques issued up to 31st March but not cashed by then; and
- III. effective action has been taken by the Divisional Officer to clear the differences.

#### **Schedule of Cash Settlement Suspense Account**

**9.72.16** Under the System of settlement of inter-divisional transactions in cash, all transactions relating to services rendered (including works executed) by one division on behalf of another division or supplies made by one division to another are settled by the divisions amongst themselves without the intervention of the Accountant General (A&E)

irrespective of whether the divisions fall within the same account circle or in different account circles. The claims are to be settled within ten days as prescribed in paragraph 2 of Appendix 7 to the Central Public Works Accounts Code. It should be seen that claims not so settled have been taken up with the respective divisional officers concerned and have been adequately pursued.

**9.72.17** Credit entries in the Schedule should be compared with the details given in the Memo of Cash Receipts on the reverse of the Monthly Account (Form 80).

**9.72.18** There should normally be no balance under this head at the close of the year. In order to ensure this, the list of outstanding items should be reviewed monthly and the Divisional Officer addressed if the provisions of Article 185 of Account Code, Volume III, appear to have been ignored.

### **Schedule of Debits to Stock**

**9.72.19** The Schedule of Debits to Stock (Form PWA 28) should be checked generally in the manner and to the same extent as prescribed in respect of the Schedules of Works Expenditure. In cases where the rules provide that a detailed estimate can be dispensed with, the expenditure as authorised by the competent authority may be accepted as the amount of a sanctioned detailed estimate. When the manufacturing operation is shown as having been completed, it should be seen that the Divisional Officer has taken action in accordance with Article 163 of the Account Code, Volume III, to adjust the difference between the progressive figures of "Operation" and "Out turn". In case this has not been done, his attention should be invited to this requirement and the matter pursued until the difference is settled.

### **Stock Account**

**9.72.20** In the audit of Stock Account, the "Detailed Account of Issues", which constitutes the second part of the Stock Account, should be examined first. Entries relating to "Issues to Works, etc." contained in this part should be agreed with the relevant entries in all the Schedule Dockets of the month, and the remaining issues should be traced from the several accounts (relevant schedule dockets, consolidated contingent bill, etc.) as indicated in the form.

**Note:** *The quantity accounts of all articles borne on stock, maintained under the rules of Government, have to be scrutinised during local inspection and reconciled with the value accounts.*

### **Schedule of Miscellaneous Works Advances**

**9.72.21** The Schedule of Miscellaneous Works Advances (Form PWA 32) will detail individually only the items affected during the month. The schedules relating to the month of September and March are required to be accompanied by a list of items outstanding for more than six months. Their completeness will be checked in local audit at the time of examining the Divisional Suspense Register relating to Miscellaneous Works Advances. In the audit of "Miscellaneous Works Advances", a distinction should be made between items that represent regular transactions correctly pertaining to this head and those that are indicative of either a disregard of any financial rule, or losses, retrenchments and errors awaiting adjustment. It should be seen that action is being taken by the Divisional Officer for the clearance of both categories of items. Those of the latter category should be registered in the Objection Book.

### **Schedule of Purchases**

**9.72.22** In the course of audit of the Schedule of Purchases, it should be seen that the debits/credits of the current month as reflected in the list of original transfer entry orders are correct by correlating these with the original transfer entry orders attached to various schedule dockets. Schedules for the months of September and March should be accompanied by a list of items outstanding for more than six months and the adequacy of the action taken by the Divisional Officer for their adjustment should be examined. It has also to be verified that all unclaimed balances outstanding for more than three accounting years have been credited to Government.

### **Schedule of Deposits**

**9.72.23** The Schedule of Deposits contains details of only those items affected during the month. The following would require the special attention of Audit:

- I. Adjustment of debits against and to the extent of the corresponding credits so that there is no minus balance.
- II. If the Schedule reveals that any of the deposit items has been converted into any form of interest-bearing security, it should be seen that the certificate prescribed for the purpose has been recorded correctly at the designated place in the Schedule.
- III. In checking the Schedule for the month of March, it should be verified that lapsed deposits have been duly credited to Government in accordance with the provisions contained in Article 170 of the Account Code, Volume-III.

**Note:** *Similar checks should be exercised in respect of unaffected items not included in the Schedule at the time of scrutiny of the deposit register during local inspection.*

- IV. Various debits and credits should be checked to ensure their agreement with the corresponding entries in the schedules concerned, vouchers and memo of miscellaneous cash receipts paid into treasuries in Form 80.
- V. It should be verified that necessary details in support of deposits for work to be done are available in the Schedule of Deposit Works, instructions for the audit of which are contained in paragraph 22.12 supra.
- VI. All opening balances against individual items should be checked entirely with their closing balances as reflected in the statement of the relevant month(s) in which these items were shown as having appeared.

### **Special Tools and Plant Received Sheets and Indents**

**9.72.24** The accounts of receipts and issues of special tools and plant contained in the Tools and Plant Received Sheet (Form 13) and Tools and Plant Indent (Form 14) forming part of the Monthly Accounts should be checked to see that all tools and plant purchased or transferred from other divisions or sub-divisions have been brought to account in Form 13 and that all issues shown in Form 14 are supported by receipts of the parties concerned. The payment details given in Form 13 should be checked with the connected vouchers or transfer entries. In the case of issues, it should be seen that Form 14 is supported by survey reports and sale accounts wherever necessary.

### **Annual Certificates of Balances**

**9.72.25** To the extent annual certificates of balances are based on initial records maintained in the Division, their correctness should be broadly verified during local audit. Any points suggestive of deviations from the financial rules should be taken up with the Divisional

Officer or higher authorities depending on the facts of the case. Other aspects requiring the attention of Audit are dealt with below:

- I. The audit of the Schedule of Debits to Stock and the Stock Account for the month of March should not be considered as having been completed until Certificate No. 1 relating to manufacture, land, kilns, etc., storage and other sub-heads of stock has been verified, and the closing balances reconciled with the Stock Account. Cases where the sanctioned limits of stock reserves and balances appear to be unusually high or in excess of the normal requirements of the divisions concerned should be brought to the notice of the Accountant General (Audit) for such action as he may consider necessary.
- II. Certificate No.2 relating to Workshop Suspense and Certificate No.3 relating to Other Suspense Accounts (viz., Purchases and Miscellaneous Works Advances) and Deposits are necessary for completing the year's audit of transactions relating to those heads. These certificates should be reconciled with the relevant schedules and their correctness verified in Central/Local Audit.
- III. Similarly, the audit of Works Accounts for the month of March should not be considered as having been completed unless Certificate No.4 (Form PWA 46) relating to Works Accounts has been examined in local audit to see that (1) the accounts are complete in all respects; (2) the closing balance in respect of "Contractors" under each of the three heads into which these accounts are divided (viz., "Advance payments", "Secured Advances" and "Other Transactions") agrees with the total of the balances in the Contractor's Ledger (Form PWA 43) which is scrutinised during local audit; and (3) the certificate does not indicate any deviations from the rules requiring action on the part of the Audit Office. Large fluctuations in the balances may form the subject of special enquiry.

### **Schedule Dockets**

**9.72.26** All transfer entry debits/credits in the Schedule Dockets should be checked in audit with the relevant transfer entries to ensure correctness of the charge/credit. It should be verified that necessary particulars of all cash refunds are available and that they do not indicate any financial irregularity; these cash refunds should also be tallied with the "Memo of Miscellaneous Cash Receipts paid into Treasuries" in Form 80.

**9.72.27** It should also be seen during audit of Schedule Dockets that (i) the sale accounts and survey reports are attached, wherever necessary; and (ii) and that disposal of the stores and the transfers have been authorised by the competent authority in the case of credits representing sale proceeds of stores or the value of other transfers, the full value of the assets (including supervision charges or other charges leviable under rules) has been accounted for, loss, if any, has been regularised by the competent authority.

### **Schedule Docket for Percentage Recoveries**

**9.72.28** The instructions in the foregoing paragraphs do not apply to the Schedule Docket for Percentage Recoveries (Form PWA 25). The Schedule Docket should be checked simultaneously with the schedule relating to the expenditure on the works which are assessable to percentage recoveries of charges on account of Establishment, Tools and Plant and Accounts and Audit. It should be checked seen that (i) the charges shown in Form PWA 25 under each of these heads have been calculated correctly in accordance with the rules; (ii) the total amount of these charges has been debited correctly to the account of each work in the expenditure schedule concerned; and (iii) credits on account of recoveries under each of

the three heads have been brought to account correctly in accordance with the directions contained in Articles 69 and 72 of the Account Code, Volume-III.

### **Vouchers**

**9.72.29** The general principles and rules of audit governing audit of expenditure are also applicable to the vouchers received with the Monthly Accounts of Divisional Officers. The important points relating to the audit of vouchers are as follows:

- I. If it is noticed, as a result of audit, that an excess or short payment has been made on a voucher received in support of a claim for a work executed by another division, the discrepancy should be notified to both the originating divisions and the division finally adjusting the charge.
- II. As far as possible, payments to contractors agreements with whom have been sanctioned by authorities higher than the Divisional Officer should be scrutinised to verify that there are no unauthorised deviations from agreed upon rates and other relevant conditions, as communicated by the sanctioning authority.

***Note: In respect of payments to contractors against contracts sanctioned by the Divisional or Sub-divisional Officers, the rates allowed should be checked with the schedule of rates wherever the schedule of rates has been prescribed and where there is a clear indication that the rates are based on the schedule and expressed as either equal to those prescribed therein or as a percentage above or below the schedule of rates.***

- III. Payments made to other contractors on their first or final bills or on running account bills should be generally examined to ensure that the value of work done or supplies made is not in excess of the financial limits up to which a Divisional Officer is empowered to accept tenders or contracts.
- IV. Availability of the necessary sanctions in respect of charges requiring a special sanction should be verified. If the charges relate to works connected with a project costing Rupees one crore or more and on the execution of which two or more Public Works or Irrigation Divisions are engaged, it should be verified that the charges have been noted against the sanction entered in the Works Register.
- V. It should be seen that new supplies of tools and plant for which payments have been made have been brought on to the relevant numerical or quantitative accounts. This check should be exercised during local inspection of the Division, except in the case of special Tools and Plant, the numerical account relating to which should accompany the Monthly Account of the Division (see Article 41 of Account Code, Volume-III) and be checked in Central Audit with reference to the voucher or account pertaining to the charge.

(Chapter 4.3 of MSO Audit 2002)

**Annexure IV**  
**(Reference Para 9.4)**

**Statement showing work divisions coming under purview of the AMG-II**

<b>Rural Development Department:</b>		
<b>No. of Working Divisions: .....</b>		
<b>Water Resources and Minor Irrigation Department:</b>		
<b>No. of Working Divisions: 216</b>		
1.	Secretary, Water Resources Department	Ranchi
2.	Minor Irrigation Division	Gumla
3.	Waterways Division	Barhi
4.	Waterways Division	Gumla
5.	Waterways Division	Chaibasa
6.	Irrigation Division, Jasidih	Deoghar
7.	Minor Irrigation Division	Godda
8.	Irrigation Division	Dumka
9.	Minor Irrigation Division	Chaibasa
10.	Waterways Division	Medininagar
11.	Waterways Division, Damside, Dhurwa	Ranchi
12.	Minor Irrigation Division	Ranchi
13.	Irrigation Division, Mahagama	Godda
14.	Irrigation Division, Bundu	Ranchi
15.	Minor Irrigation Division	Giridih
16.	Minor Irrigation Division	Jamshedpur
17.	Minor Irrigation Division	Dumka
18.	Ganga Pump Canal Division	Sahebganj
19.	Design Division No. 1	Daltonganj
20.	Waterways Division	Garhwa
21.	Konar Canal Division, Bagodar	Giridih
22.	Minor Irrigation Division	Lohardagga
23.	Minor Irrigation Division	Chatra
24.	Konar Canal Division, Banaso	Hazaribag
25.	Minor Irrigation Division	Simdega
26.	Minor Distributory Division 2, Dimna	Jamshedpur
27.	Minor Irrigation Division	Ramgarh
28.	Minor Irrigation Division	Dhanbad
29.	SR Dam Division No. 2, Chandil	Jamshedpur
30.	Minor Irrigation Division	Bokaro
31.	Design Division No 2	Daltonganj
32.	Kharkai Canal Division, Adityapur	Jamshedpur
33.	Minor Irrigation Division	Latehar
34.	Waterways Division	Hazaribag

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35.	Auranga Construction Division, Panki	Palamu
36.	SR Canal Division, Chandil	Jamshedpur
37.	Minor Irrigation Division, Hussainabad	Palamu
38.	Irrigation Division	Deoghar
39.	Minor Irrigation Division	Saraikella
40.	Irrigation Division	Pakur
41.	Investigation Division	Garhwa
42.	Waterways Division	Khunti
43.	Minor Irrigation Division	Khunti
44.	Barrage Division, Galudih	Jamshedpur
45.	Waterways Division No. 1	Simdega
46.	Konar Canal Division, Dumari	Giridih
47.	Minor Distributory Division 10	Ghatshila
48.	Minor Irrigation Division	Koderma
49.	Minor Irrigation Division	Hazaribag
50.	Advance Planning Division	Ranchi
51.	Minor Distributory Division 12	Jamshedpur
52.	Advance Planning Division	Dumka
53.	Kharkai Canal Division	Chaibasa
54.	Minor Irrigation Division	Pakur
55.	Minor Irrigation Division	Jamtara
56.	Waterways Division No. 1	Chakradharpur
57.	Minor Irrigation Division	Garhwa
58.	Advance Planning Division	Daltonganj
59.	Irrigation Division, Barharwa	Sahebganj
60.	Minor Irrigation Division	Sahebganj
61.	Minor Irrigation Division	Palamu
62.	Minor Distributory Division 4, Galudih	Jamshedpur
63.	Minor Distributory Division 7, Ghatshila	Jamshedpur
64.	Minor Distributory Division 3, Mango	Jamshedpur
65.	Waterways Division No. 2, Chainpur	Gumla
66.	Right Canal Division, Musabani, Galudih	Jamshedpur
67.	Punasi Spillway Division	Deoghar
68.	Irrigation Division, Sikatia	Deoghar
69.	Irrigation Division, Kundhit	Jamtara
70.	Waterways Division No. 1, Chainpur	Gumla
71.	Kharkai Link Canal Division, Musabani, Galudih	Jamshedpur
72.	Irrigation Division, Galudih	Jamshedpur
73.	Irrigation Division, No. 2, Sikatia	Deoghar
74.	Waterways Division, Bishunpur	Palamu
75.	Planning and Monitoring Division	Medininagar
76.	Irrigation Division, Nala	Jamtara
77.	Quality Control Division	Ranchi
78.	Irrigation Division	Jamtara At Dumka



79.	Mechanical Division, Banaso	Hazaribag
80.	Kharkai Canal Division, Rajnagar	Saraikella
81.	SR Canal Division, Gangudih camp at Jamshedpur	Jamshedpur
82.	Minor Distribution Division No. 5, Dimna	Jamshedpur
83.	Minor Distributory Division 8, Mango	Jamshedpur
84.	Irrigation Mechanical Division	Deoghar
85.	Irrigation Division No. 1, Barhet	Sahebganj
86.	Irrigation Mechanical Division, Mandal	Latehar
87.	Tenughat Dam Division, Tenughat	Bokaro
88.	Minor Distributory Division, Kuldangal	Jamtara
89.	MI Design Division, Engineer Bhawan	Ranchi
90.	SR Canal Division, Mango	Jamshedpur
91.	Mechanical Division, Chandil	Jamshedpur
92.	Advance Planning Circle	Ranchi
93.	Quality Control Division	Jamshedpur
94.	Minor Distributory Division 9, Ghatshila, camp at Galudih	Ghatshila
95.	Design Division No. 2, Jal Bhawan, Doranda, Ranchi	Ranchi
96.	Central store and Camp Division, Chandil	Jamshedpur
97.	Kharkai Dam Division No 2, Icha- Chaliyama	Jamshedpur
98.	SR Canal Division 1, Ghatshila	Jamshedpur
99.	No 1, SMP, Mango	Jamshedpur
100.	Waterways Division No. 2	Simdega
101.	Design Division No 3, Adityapur	Jamshedpur
102.	Master Planning, Investigation and Hydrology Circle No. 1, Sector III, Dhurwa	Ranchi
103.	Dam and Barrage Design Division	Jamshedpur
104.	No 4, SMP, Adityapur	Jamshedpur
105.	Planning and Monitoring Division, Dimna	Jamshedpur
106.	Design Division No 2, Icha-Galudih Complex, Adityapur	Jamshedpur
107.	SMP, Chandil	Jamshedpur
108.	Purchase Construction Materials and Tender, SPU, Adityapur	Jamshedpur
109.	Irrigation Mechanical Division	Ranchi
110.	Planning and Monitoring Division	Jamshedpur
111.	MI Quality Control Division	Ranchi
112.	Punasi Dam Division	Deoghar
113.	SR Dam Division No. 1, Ghatshila	Jamshedpur
114.	Mechanical Division, Icha Chaliyama	Jamshedpur
115.	No 3, SMP, Adityapur	Jamshedpur
116.	Minor Irrigation Circle	Hazaribag
117.	Medium Irrigation Project, Damside Dhurwa	Ranchi
118.	MI Design Division, Dumka (Camp at Deoghar)	Deoghar
119.	Waterways Division No. 2	Chakradharpur
120.	Planning and Quality Control Division	Deoghar
121.	Waterways Circle	Ranchi
122.	SR Canal Circle, Mango	Jamshedpur

123.	Kharkai Canal Circle	Adityapur
124.	Kharkai Dam Division No 1, Musabani	Jamshedpur
125.	Minor Irrigation	Ranchi
126.	No 2, SMP, Chandil	Jamshedpur
127.	Irrigation Division No. 2	Jamtara
128.	Planning and Monitoring Circle 1	Ranchi
129.	Design Circle, Adityapur	Jamshedpur
130.	Design, Planning and Monitoring Circle	Ranchi
131.	Design, Planning and Monitoring Circle	Jamshedpur
132.	Planning and Monitoring Circle 3	Ranchi
133.	Tenughat Project	Bokaro
134.	Water Resources Department	Ranchi
135.	No 1, SMP, Adityapur	Saraikella
136.	Barrage Circle, Galudih	Jamshedpur
137.	Medium Irrigation Project	Dumka
138.	Master Planning, Investigation and Hydrology Circle No 2 Deoghar	Deoghar
139.	North Koel Project	Daltonganj
140.	Tenughat Project	Hazaribag
141.	Planning and Monitoring Circle 2, Nepal House, Doranda	Ranchi
142.	SR Dam Circle	Chandil
143.	Kadwan Dam Division, Nagar Utari	Garhwa
144.	Medium Irrigation Project	Deoghar
145.	Water Resources Department	Deoghar
146.	Canal and Canal Structure Design Circle	Ranchi
147.	Swarnrekha Multipurpose Project	Jamshedpur
148.	Dam and Gate design Circle No. 1, Jagarnathpur	Ranchi
149.	Waterways Circle	Hazaribag
150.	SMP, Icha Galudih Complex	Adityapur
151.	Design Division No. 4, Deoghar	Deoghar
152.	Irrigation Circle, Jasidih	Jasidih
153.	Waterways Circle	Chaibasa
154.	Kharkai Dam Circle, Icha Chaliyama	Jamshedpur
155.	Quality Control Division	Daltonganj
156.	Minor Irrigation Circle	Ranchi
157.	Waterways Circle	Gumla
158.	Design Circle	Deoghar
159.	SMP, Chandil Complex, Adityapur	Jamshedpur
160.	Design Division No. 2, Deoghar	Deoghar
161.	Minor Irrigation Circle	Dumka
162.	Kadwan Dam Circle, Garhwa, camp at Daltonganj	Daltonganj
163.	Design, Planning and Monitoring Circle	Medininagar
164.	Auranga Construction Circle	Medininagar
165.	Medium Irrigation Project	Deoghar
166.	Irrigation Circle, Madhupur	Deoghar

167.	Waterways Circle	Dumka
168.	Design, Master Planning and Hydrology, Dhurwa	Ranchi
169.	Waterways Circle	Garhwa
170.	Irrigation Circle	Sahebganj
171.	Rehabilitation Officer, NKP	Daltonganj
172.	Tenughat Dam Circle	Tenughat
173.	Chief Engineer, Water Resources Department	Daltonganj
174.	Ground Water investigation Division	Hazaribag
175.	Minor Irrigation Circle	Medininagar
176.	Chief Engineer, Water Resources Department	Hazaribag
177.	Ground Water Directorate, Abhiyantran Bhawan, Kutchery Chowk	Ranchi
178.	Medium Irrigation Quality Control Division	Hazaribag
179.	Ground Water investigation Division	Dumka
180.	Mechanical, Water Resources Department	Ranchi
181.	Design and Monitoring Division	Hazaribag
182.	Project, Planning and Monitoring, Water Resources Department	Ranchi
183.	Land Acquisition and Rehabilitation	Jamshedpur
184.	Irrigation Mechanical Circle	Ranchi
185.	Irrigation Circle	Jamtara
186.	MI Quality Control Division	Dumka
187.	Advance Planning, Water Resources Department	Ranchi
188.	Design and Monitoring Division	Dumka
189.	Advance Planning Division	Sahebganj
190.	Minor Irrigation Circle	Chaibasa
191.	Office of the Assistant Director, Public Relation, SPU, Adityapur	Jamshedpur
192.	Minor Irrigation Circle	Deoghar
193.	Minor Irrigation	Dumka
194.	Ground Water investigation Division	Ranchi
195.	Accounts Officer, North Koel Dam Project	Daltonganj
196.	Revenue Division	Ranchi
197.	Dam Division No.1	Daltonganj
198.	Irrigation Division, Madhupur	Deoghar
199.	Master Planning, Investigation & Hydrology Division No.2, Irrigation Campus	Deoghar
200.	Medium Irrigation Quality Control Division	Dumka
201.	Irrigation Division	Jamshedpur
202.	Project Monitoring and Planning Division	Ranchi
203.	Planning and Monitoring Division	Ranchi
204.	Planning and Monitoring Division No. 3	Ranchi
205.	Plannin and Monitoring Division No. 6, Doranda	Ranchi
206.	Investigation and Design Division	Ranchi
207.	Master Planning, Investigatin & Hydrology Division No. 2, Jal Bhawan, Doranda	Ranchi
208.	Irrigation Mechanical Division	Sahebganj
209.	Waterways Circle, Design	Deoghar

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210.	Irrigation Circle, Jasidih	Deoghar
211.	Advance Planning Circle	Dumka
212.	Project Planning Circle (Flying Squad)	Ranchi
213.	Gate and Dam Design Circle	Ranchi
214.	Medium Irrigation Project	Chaibasa
215.	Medium Irrigation Project, RTI Building, Circular Road	Ranchi
216.	Scientific Quality Control, PRM	Jamshedpur

**Chapter 10**  
**Water Resources Department**

**Introduction**

The Kosi Project Department which was established in January 1955 to execute the Kosi Project in the undivided Bihar Government with the object of providing the benefits of flood protection, irrigation and power to the people living in the Kosi belt was renamed as the River Valley Project Department (1960). The Accountant General (Audit), Jharkhand, Ranchi is the statutory Auditor of the entire River Valley Projects (RVP) and Audit of RVP was conducted as per existing River Valley Projects manual by a separate section RVP Audit section. This manual was issued in accordance with paragraph 38 of the Comptroller and Auditor General's Manual of Standing Orders (Administrative).

The RVP Department was further re-organized and named as Water Resources Department (WRD) vide memo No.2785 dated 15.3.1988. The same name was adopted by the newly created Jharkhand State (15 November 2000) also. Consequent upon restructuring of the office of AG (Audit) Jharkhand in the year 2012, RVP units were kept under Economic and General Sector-I as Water Resource Department. Recently, the WRD has been grouped in AMG-II (July 2020).

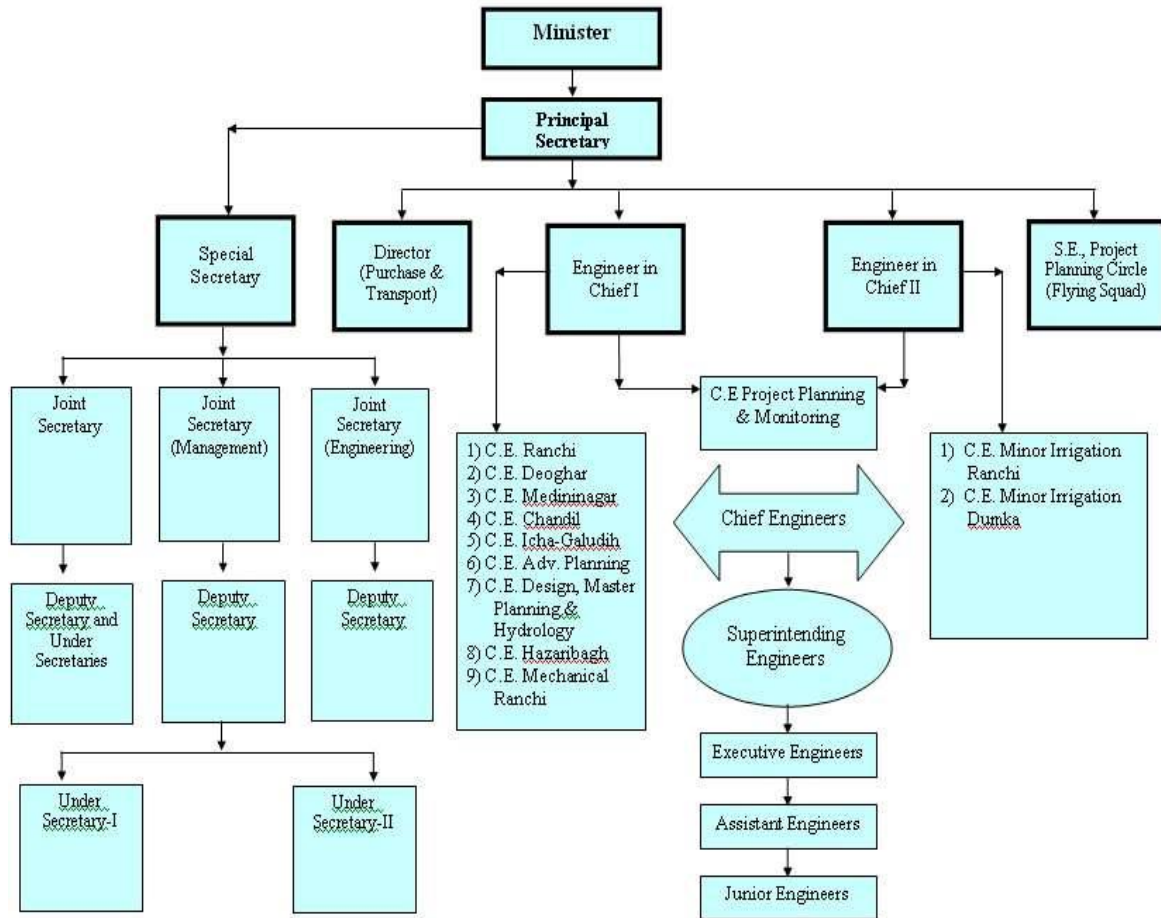
WRD is one of the major establishments of Government of Jharkhand and is primarily involved in development of all kinds of water resources in the state. It protects the right of State in sharing water of Inter State Rivers/Basins. The fields of Operations of WRD are construction, maintenance and regulation of Major, Medium & Minor irrigation projects, Flood Control and Drainage works.

A list of Ongoing Major & Medium Schemes in Jharkhand is provided below:

Ongoing Major Irrigation Projects		
Sl.	Name of the Project	District
1	Subernarekha Multipurpose Project	East Singhbhum, West Singhbhum, Saraikela-Kharsawan, Orissa & West Bengal state
	(i) Chandil Dam, Main Canal & its Tributaries	
	(ii) Icha Dam, Main Canal & Tributaries	
	(iii) Galudih Barrage & Right Main Canal	
	(iv) Kharkai Barrage, Main Canal & Tributaries	
2	Ajay Barrage Project	Deoghar/ Jamtara
3	Gumani Barrage Project	Sahebganj/ Pakur
4	Punasi Reservoir Project	Deoghar
5	Amanat Barrage Project	Medininagar
6	Konar Reservoir Project	Giridih
7	North Koel Reservoir Project	Palamu

Ongoing Medium Irrigation Projects		
Sl.	Name of the Projects	District
1	Upper Sankh Res. Project	Gumla
2	Surangi Res. Project	Ranchi
3	Sonua Res. Project	West Singhbhum
4	Panchkhero Res. Project	Koderma/ Hazaribagh
5	Bhairwa Res. Project	Hazaribagh
6	Suru Res. Project	Saraikela - Kharsawan
7	Nakti Res. Project	West Singhbhum
8	Ramrekha Res. Project	Gumla/ Simdega
9	Jharjhara Res. Project	West Singhbhum
10	Garhi Res. Project	Chatra
11	Kesho Res. Project	Hazaribagh
12	Dhansinghtoli Res. Project	Ranchi
13	Kansjore Res. Project	Gumla
14	Batane Res. Project	Medininagar
15	Kans Res. Scheme	Ranchi
16	Katri Reservoir Scheme	Gumla
17	Kanti Reservoir Scheme	Ranchi
18	Sukri Reservoir Scheme	Lohardaga
19	Tajna Reservoir Scheme	Khunti
20	Raisa Reservoir Scheme	Ranchi
21	Suali Reservoir Scheme	Gumla

ORGANISATIONAL STRUCTURE OF WATER RESOURCES DEPARTMENT



10.01 FUNCTIONS OF THE DEPARTMENT

The function of the Audit Department comprises mainly Concurrent post audit of all Works expenditure on Project and the checking of all initial account records (including the leave accounts, service books etc.) in all the offices opened in connection with the project.

10.02 The responsibility for keeping this manual up-to-date devolves on the AAO, AMG-II headquarter Section but all other AAOs are required to point out to him any corrections which appear to be necessary or any new orders which have to be incorporated therein. The AAO, AMG-II headquarter Section should be shown copies of any orders of Government, the Comptroller and Auditor General etc. which may come to notice so that he may immediately put up a correction for the approval of the Branch Officer concerned. This applies also in the case of decisions arrived at in particular cases which involve a general principle may be treated as precedent for the decision of subsequent cases of a like nature. For this purpose manuscript book should be maintained by AMG-II.

10.03 AMG-II section will maintain a permanent General File or Guard Files which will contain (i) all important orders on each subject arranged chronologically, (ii) all the orders on a particular subject to the extent they are contained in Audit Bulletins-so that each staff may become conversant with all the orders including latest ones. This will also help updating the RVP Audit Manual as and when required.

10.04 The provision of various paras of this manual are supplementary to the instructions contained in (i) M.S.O.(Tech.), (ii) Secret Memo., (iii) WAD Manual and (iv) Inspection Manual of AG Bihar.

**10.05** Local audit work dealt by WRD Inspection parties extend to the following offices/items :

(a)	Account records of Works divisions and sub-division under the Water Resources Department including audit of Tender files in the Chief Engineer office.
(b)	All Civil offices of the Water Resources Department
(c)	Purchase files in the office of the Director of Purchase
(d)	Accounts records maintained by the Director of Rehabilitation of land Acquisition officer subordinate thereto. Discretionary Grants at the disposal of the Commissioner-cum-Secretary, Water Resources Department and of the Minister, Relief and Rehabilitation.
(e)	All other miscellaneous units of RVP viz., Medical Officer, Anti- Malaria Officer, Project schools, Welfare Officer, Assistant Director Public Relation.
(f)	Audit of loans and grants-in-aid given out of the Consolidated Fund of India, Government of Jharkhand, Water Resources Department, copies of all sanctions issued for loans and Grants-in-aid may be obtained to know the terms and conditions, the nature, the purpose and project and Grant-in-aid so as to facilitate checks in audit.

[Extract of AG's notes dated 1.3.80 at page 58-69]

**10.06** Early in January every year AMG-II section will ascertain from the Water Resources Department the name of circles, divisions, sub-divisions, created/ closed during the preceding financial year. The programme of local audit will be done in such a manner that each division/office is audited annually. For this purpose a permanent programme register should be maintained in section in the prescribed proforma.

#### **SCOPE OF INSPECTION**

**10.07** The period of accounts to be audited by the inspection staff will cover transaction of the period beginning from the month in which the last inspection was conducted up to the end of the month preceding the commencement of audit. When, however, a serious irregularity is discovered, it should be traced, if necessary, in current accounts right up-to-date. A complete analysis of the accounts of selected work(s) is to be made.

#### **10.08 Review of work of Auditor by Supervisory staff:-**

The AAO in charge of the audit party should conduct a test check of 10%) of the work done by the Sr. Auditor/Auditor including check of total expected to be done by the Sr. Auditor/Auditor with recording a certificate of General Review. The AAO in charge of the party should also specify the checkes in this regard by him. The Inspecting officer and also the AMG-II Section should see that the certificate require in this behalf has actually been recorded.

[0.0. No. AG(P)-RV-I-Review.Auditor-Conf-425 dt. 22.2.79]

**10.09** To avoid overlapping of items of works, duties and responsibility the duty list should be rationalised. Those enlisted in **Annexure-II** of the duty list will be personal responsibility of the section and those instructed in **Annexure-III** will be distribution among AAO and the Sr. Auditor and this is for strict observance by all concerned. In absence of Sr. Auditor/Auditor and one AAO the work will be suitably distributed among members of the Audit Party.

[Extract of 0.0. No. AG(P)-RV-I-195 dt. 9.7.79]



**Analysis of the Accounts of the selected Major or Minor works**

**10.10** A Complete analysis of the selected major works (or minor works) is to be made on the same lines as Review of schemes is conducted. The Sr. AO's/AAO's of the RVP Audit parities should keep in view the instructions mentioned below while analyzing the work selected for detailed analysis:

The Accounts of the selected Major work or minor works should be subjected to the prescribed checks. They should be analysed completely and examined in detail. The following points should be particularly looked into:-	
(a)	The estimates of the work concerned should be studied together with the relevant correspondence and all charges carefully examined to see whether any of them does not fall beyond the scope of sanction. Qualities should be compared with the quantities of work actually done with a view to verifying that savings due to abandonment or otherwise have not been utilized for additional work or that there has not been material alteration, or modifications in the sanctioned design without the sanction of competent authority.
(b)	All payments and supply of materials etc. should be made strictly in accordance with the contract agreements indicating no exit in any of the term. The rates provided in those contracts should be specially scrutinized with reference to the sanctioned estimates and schedule of rates to see that they do not allow any concession detrimental to the financial interest of the Government.
(c)	Quantities of the material required for the work actually done should be worked out on the basis of the analysis given in the estimate or other established formula and compared with the actual issue both in the case of direct issue to works or issue to contractors to investigate the difference, if substantial
(d)	If should also be seen :-
(1)	that the accounts exhibit accurately the actual cost of work done relating to the particular estimate as sanctioned,
(2)	that all recoverable charges have been made good to Government by an equivalent cash recovery or short payment of dues,
(3)	that the contractors etc. on whose behalf the recoverable charge are incurred do not get the benefit of any concession to which they would not have been entitled to, if they had themselves incurred the charges,
(4)	that generally there has been no irregularity in the upkeep of accounts including the initial records relating to them.

(0.0. No. AG(P)-RV-I-Insp/Audit-353 dated 10.8.79).

**10.11 List of irregularities common to many a RVP Divisions/Section of RVP Audit Wing.** Materials, which may be sent by various section to DP Cell for attempting omnibus paras for Audit Report. [Authority –Minutes of meeting held with AG on 12.6.1980].

1.	Execution of works without inviting tenders
2.	Allotment of works on single tender basis
3.	Allotment of works to other than lowest tender without adequate reasons.
4.	Aspect of utilization of operating staff attached to heavy machines lying idle.
5.	Amount recoverable from contractors/suppliers on account of (a) over payments (b).....
6.	Extra/Extravagant cost or avoidable expenditure
7.	Undue financial aid to contractors.
8.	Heavy withdrawals from the treasuries without immediate requirement to avoid lapse of

	budget grant.
9.	Purchase of huge stores/accumulation thereof for years together without any issue/demand
10.	Theft and losses.
11.	Acquisition of land but not brought in use for years altogether.
12.	Acquisition of Tools and plants but not brought in use for years.
13.	Huge dues on account of Government buildings given on rental.
14.	Materials issued to contractors but cost not realized or works not executed for two years or more.
15.	Temporary advances remaining unadjusted/un-accounted with officials for more than two years.
16.	Advances granted to contractors/suppliers but not adjusted (progress of work deferred to two years or more.
17.	Construction work deferred and remaining half done for two years or more.
18.	(a) Non-rendition of store account (b) Non-rendition of workshop Proforma account (c) Non-rendition of capital and revenue account of Govt. buildings (d) Non-rendition of financial stock taking of projects.
19.	Heavy outstanding under miscellaneous advances and purchase suspense
20.	Deposits works done for a value for exceeding the deposits made.
21.	Outstanding advances against subordinates, T.A. Advance, Temporary advance, Telephone, Hand Receipts or Electricity dues etc.

**10.12** Irrigation plays a very important role in the rural development. In developing countries, the importance of irrigation cannot be denied. Construction of major projects requires huge expenditure and long time for completion of projects. Activity of taking up of the construction work of irrigation project is continuous and separate department at the Government level is functioning for the purpose.

**10.13** The responsibility of audit relates to two main areas i.e. (a) audit of expenditure, (b) achievement of objectives. Therefore, the principal object of audit of irrigation project is to see how far the projects were conceived and executed with due regard to the requirement of efficiency and economy and to what extent the benefits which were to flow to the society from these project have actually become available. Basically the principles applied while auditing individual transaction of a Government Department would apply in respect of detailed audit of expenditure and receipts; in respect of such project also.

**10.14 Major projects-**Projects having cultural command area of more than 10,000 hectares are classified as Major project.

**Medium Project-** Projects having cultural command area between 2000 hectares to 10,000 hectares are classified as Medium Projects.

**Minor project-** Other small irrigation tanks are classified as minor projects

**Command Area-**Area covered by the project for irrigating.

### **Construction of Dams as per specification**

**10.15** Due to advancement of soil mechanics the dams of greater height are constructed .To achieve the desired results on the dams the work of construction of dams has to be done as per the standard specifications of the components of dam. The common items involved in the dam construction are –

- (i) Excavation
- (ii) Cement concrete
- (iii) Embankment
- (iv) Masonry
- (v) Cement plaster
- (vi) Steel reinforcement
- (vii) Dewatering
- (viii) Pointing
- (ix) Pitching

### **Stages of construction of dams**

**10.16** An Irrigation project consists of (a) Head works comprised of non –over flow section (earthen masonry/concrete dam) over flow section (spillway or water weir), head regulator (Irrigation out let) (b) distribution system ( Main canal ,Branch canal and distribution network (c) Power generation unit.

Irrigation projects are classified Major, Medium and Minor projects. Period required for completion of project is generally 8 to 10 years. The proposals for construction of a project should be submitted to Government for approval on the basis of preliminary reports based on the top sheet studies available information such as rainfall, approximate. Yield from catchment area, existing trend of crop pattern and approximate cultural command area after considering the feasibility of the project on the basis of technical aspect and benefit cost ratio (BCR).

Benefit cost ratio is the product arrived at after dividing the total annual benefit by annual cost plus 10% interest thereon The BCR for major and medium project should be more than 1.5% and that for minor projects it should be more than 1.0

On receipt of preliminary approval from Government, the following operations are carried out.

- (i) Detailed survey and field investigation
- (ii) Preparation of designs and drawings along with specifications.

On the basis of operation (i) and (ii) Detailed Project Report (DPR) is prepared indicating total cost of the project based on detailed and realistic estimates.

**10.17** After the project is administratively approved and technically sanctioned, the appraisal report having implementation schedule for completion of the project is prepared. According to the time schedules the work is executed through contractors.

**10.18** The project reports contain chapters on the following aspects

- (i) Salient features
- (ii) General description and history of the project
- (iii) Hydrology and water planning
- (iv) Head works and canal
- (v) Irrigation

- (vi) Construction material and equipment
- (vii) Colonies approach road and communication.
- (viii) Submergence of land and rehabilitations
- (ix) Estimates and analysis of rates
- (x) Construction programme and organizational set up
- (xi) Financial forecast and benefit.

**10.19** The estimate of the project are generally divided into

- (i) Head works (Unit 1)
- (ii) Main canal, Branch canals and distributaries network (Unit II)
- (iii) Power generation unit (Unit III)

The Heads are further divided as under-

- A. Preliminary
- B Land
- C Works
- D Regulator
- E Falls
- F RHT
- G Bridges
- H Escapes,
- K Buildings,
- L Earth work
- M Plantation
- O Miscellaneous
- Q Special tools and plants
- R Communications.

**10.20** A dam is hydraulic structure constructed across a river to store water on its upstream side. It is an impervious or fairly impervious barrier put across the natural stream, so that a reservoir is formed. The dam is constructed to impound water in its upstream side during the period of rainy season for use of various purposes like irrigation, water power generation and water supply for public.

**10.21** The following criteria is to be adopted for earthen dam

The embankment must be safe against over topping and during floods throughout the life seepage flow through embankment foundation and abutment must be properly controlled up stream slope should be properly protected against wave action. Downstream slope should be protected against action of rain. Above criteria are to be met while constructing dam, earthen dam according to zone are Mono Zone and composite. The basic design principle is to produce the structure with adequate safety and also see that it should avoid high maintenance cost.

**10.22** Component of earth dam

- (a) Cut of trenches
- (b) Core hearting
- (c) Casing
- (d) Random zone
- (e) Internal drainage system
- (f) Pitching

(g) Surface drainage

**10.23** Stages of construction of earthen dam

- (i) Excavation of cut of trenches
- (ii) Bonding of dam
- (iii) Hearting zone
- (iv) Casing zone
- (v) Compaction of sand filter

**10.24** Forces acting on Gravity Dam

- (i) Water pressure
- (ii) Self weight of dam
- (iii) Silt and earth pressure
- (iv) Atmospheric pressure
- (v) Lee pressure
- (vi) Earth quack pressure
- (vii) Wind pressure and wave pressure

**10.25** Method to prepare good concrete

- (i) Water cement ratio
- (ii) Material as per standard specification, sand and metal
- (iii) Mixing of concrete
- (iv) Reinforcement of scheduling
- (v) Form work
- (vi) Laying of concrete
- (vii) Compaction of concrete

**10.26** It should be seen

- Whether detailed project report with purpose, objective of the work were prepared and approved by the Department?
- Whether canals and other work were decided as per the guideline/ DPR from the canal length falling under the jurisdiction of the division?
- Whether entire canal length of section or selected length from the particular section was taken up for execution for improvement of canal under the work/ project/ scheme?
- Whether Technical Sanction from competent authority on the proposal was obtained?
- Whether Administrative Approval from competent authority on the proposal was obtained?
- Whether environmental clearance was required?
- Whether estimate was prepared considering provision of Irrigation Manual if any and approved technical specification by the State/ Division?
- Whether correct Schedule of Rates were considered for each items and where SoR rate was not available, rates were decided after obtaining market rate and preparing detailed rate analysis?
- How the depth for canal works decided? Whether it was based on any detailed investigation or testing of materials or usage of particular canals?
- Whether clause of price escalation and price adjustment (for steel, cements and

asphalt, POL, Labour etc.,) were provided in the tender correctly?

- Whether contractor started work immediately after issue of work order and as per work planning submitted by the contractor?
- Whether work progress achieved as per work planning submitted by the contractor and as per schedule/ milestone attached with the tender agreement?
- Whether work was executed as per the technical specification and tender clause? Any deviation with technical specification noticed which led to execution of below quality work or undue favour to contractor?
- Whether statutory deductions (such as Labour Welfare Cess, Security deposit and Income Tax *etc.*) as mentioned in the tender clause were regularly deducted from the each RA bills?
- Whether rates for extra items and excess items were correctly regulated after preparing rate analysis for items not in SOR or SoR rate was taken for excess quantity of the tender quantity?
- Whether work completion certificate was issued and final measurement was taken within specified time limit in Manual? If there any delay in issue of work completion certificate and recording of final measurement?
- Whether final bill was prepared and paid to the contractor within specified time limit in the Manual? Is there any delay and brought to the notice of higher authority?
- Whether Executive Engineer and Superintending Engineer visited the work place during execution and visit note noted in the field visit book maintained at work site?
- Whether any inspection note issued by the authority visited the work? Whether the point raised during visit and for quality of work were complied after rectifying mistake if any, noticed by the visiting officials.
- Whether Rate of water Tax revised in due period?
- Whether Water Tax was outstanding against user company?
- What action has been taken to recovery of outstanding due of water tax?

**Annexure- II  
(Reference para 10.09)  
ITEMS OF WORK REQUIRING PERSONAL ATTENTION OF  
INSPECTION OFFICE**

1.	Items of work specified in paras 760, 774-789 and 790 of CAG's MSO (Tech.)-Vol. I.
2.	Details check of the Cash book of the division and sub-divisions for the selected months check of Arithmetical accuracy for the selected month. It would be seen that 100% of the entries relating to receipts of cash as shown in the counterfoil of receipt books have been used by the Divisional Officer of which are still in Sub-divisional officers in respect of the month selected for the detailed check are traceable under proper dates and with correct particular in the cash book in respect of counterfoil or receipt books used by officers other than the Divisional Officer, which have already been record after check by the Divisional Accountant also, all the items should be traced in respect of the month selected for detailed check, (ii) a review of the arrangement for the custody of cash and the withdrawal of money form the cash chest.
3.	(a) Review of the banking arrangements to see that they are generally satisfactory. It should be seen in particular- (a) in whose custody the current cheque books are kept and by whom cheque filled in (b) stock of blank cheque books and receipt books is in hand, where the books kept and what account is kept of them. The balance of books in stock should be verified. Regarding cheque books (current and unused) as also the counterfoils of used cheque books not destroyed should also be scrutinized by Inspecting Officer; (c) Whether the certificate of account of cheques is duly recorded by the Departmental Officer on each cheque book, (d) register of duplicate keys.
4.	Review of the register of check measurement by the Executive Engineer and the system and extent of check measurement by Divisional and Sub-divisional officers, review of check of measurement books by Divisional Accountants and review of the register for watching progress in review of the measurement books by Divisional Accountant.
5.	Review of Divisional Accountant's audit
6.	Review of the arrears in the accountant work of the Division
7.	Review of all regular contracts and of a percentage of other agreements made since the last inspection.
8.	Review of the Register of revenue, other than rents including a review of the procedure for its assessment and realization, special attention being paid to cases where a falling off noticed in the revenue derived from any particular property.
9.	Review of the balance of stock, the system of acquisition of stores and stocks verification,
10.	Review of the account of manufacture operations
11.	General review of the accounts of works, the nature and extent of detailed scrutiny being left to the discretion of the Inspecting Officer
12.	Review of the following registers an accounts; the nature and the extent of the check being left to the discretion of the Inspecting Officer:
	(a) Muster rolls
	(b) Transfer Entry book
	(c) Suspense and Deposit Registers
	(d) Schedule of rates
	(e) Register of rents of building and lands
	(f) Establishment works
	(g) Monthly accounts
13.	Collection of data/documents required by PA Section in respect of potential draft para cases referred to the RVP Audit Parties.

**Annexure- III (Duty distribution)**

**(Reference Para 10.09)**

**Distribution of work among the AAO and Sr. Auditor/Auditor of RVP Audit party**

	<b>Asstt. Audit Officer (No. 1)</b>	<b>Asstt. Audit Officer (No. 2)</b>	<b>Sr. Auditor/ Auditor</b>
1.	Circular files	Assisting the Inspecting Officer in the settlement of outstanding para of previous Inspection Reports	Register of Service Book and Service Books
2.	Inspection Notes of the Chief Engineer, Superintending Engineer, Executive Engineer & Divisional Accountant.	Accounts submitted by the Sub-divisions	Telephone Register
3.	Register of sanction to estimate and Register of requisitions.	Register of contractors bills	Log books of Vehicles
4.	Register of tenders received and accepted/rejected.	Final bills of contractors/ suppliers since last inspection & checking the rates with agreements, relevant papers materials consumption statement	Register of Miscellaneous recoveries.
5.	Examination of NITs, tenders, C.S. agreements, measurement books, Register of agreements.	Detailed check of the accounts of the selected months with the help of original vouchers etc. (keeping in view the provisions of para 50 of the Secret Memorandum of Inspections from the CAG regarding the extent of audit.	Pay and T.A. Bill (Office copies)
6.	Schedule of rates and Analysis of rates.	Register of measurement books	Acquittance Rolls for pay and allowance and Traveling allowances etc.
7.	Register of works (Major and Minor) works abstract.	Muster Rolls	Register of undisbursed pay and allowances.
8.	Works files of the Divisions and the Sub-divisions	Contractor's Ledgers	Deduction on a/c of GFP in respect of work charge establishment
9.	Completed analysis & other connected records of the work or works selected for detailed analysis	Stock account	Contingent Register
10.	Claim items and their analysis	Tools & Plants A/cs	Contingent voucher
11.	Imprest a/cs (including a/cs of temporary advances)	Material at site accounts	Register of appropriation
12.	Register of Receipt Books (current and unused)	Road metal returns and Road metal book	Register of fixed charges (including sanction of fixed charges).
13.	Treasury Remittances Book	Original Reports of verification of materials by the sub-Divisional Officers and other officers,	Register of rent for land and building
14.	Treasury Pass Book	Surplus store list	Register of land acquisition of public work.
15.	Treasury verification	Adjustment/T.E. Books and adjustment transfer entry orders.	Indent book



	<b>Asstt. Audit Officer (No. 1)</b>	<b>Asstt. Audit Officer (No. 2)</b>	<b>Sr. Auditor/ Auditor</b>
16.	Investigation into & report on the points referred to the RVP Party by the Headquarters.	Register of lease bid and miscellaneous receipts & revenue	R. R. Register and Railway Credit Note.
17.	Cases likely to develop into draft paras for inclusion in Audit Report in respect of the items of work done by him.	Theft cases	Register of firms' bill
18.	Co-ordination of work of the party.	NIT tenders CS,MB Vrs.& work files of one deposit work. If there be no deposit work one works file of any other work may be selected & examined in detail.	Register of manufacture.
19.	Test check of not less than 10% of each of the items of work done by the Auditor.	Cases likely to develop into draft paras for inclusion in Audit Report in respect of the items of work done by him.	Register of interest bearing securities.
20.	Any other work that may be allotted to him by the Inspecting Officer	Register of miscellaneous sanction.	Savings bank pass book & interest bearing securities deposited with Divisional Officer
21.	--	Any other work allotted to him by the Inspecting Officer	Register/schedules of purchase deposits and Miscellaneous public Works advance.
22.	--	--	Assistance to AAO-I in treasury verification
23.	--	--	Capital & Revenue A/cs of Building etc. (latest).
24.	--	--	Any other work allotted to him by the AAO and the Inspecting Officer
	Signature	Signature	Signature

**CHAPTER 11**

**Panchayati Raj Institutions**

**Introduction**

On the basis of recommendations of several committees, Panchayati Raj Institutions (PRIs) were accorded Constitutional status by means of the Constitution (Seventy third Amendment) Act, 1992. The Amendment came into force with effect from 24th April 1993. Articles 243, 243-A to 243-O, additional sub-clauses to Article 280 and the Eleventh Schedule introduced by this amendment deal with matters relating to Panchayats.

The Seventy-third Constitutional Amendment enacted in 1992 envisaged constitutional status to *Panchayati Raj* Institutions (PRIs) and established a system of uniform structure, regular elections, regular flow of funds through Finance Commissions, etc. As a follow up, the States are required to entrust these bodies with such powers, functions and responsibilities so as to enable these function as institutions of self-government. In particular, the PRIs are required to prepare plans and implement schemes for economic development and social justice including those enumerated in the Eleventh Schedule of the Constitution.

**PRIs in Jharkhand**

Three-tier PRI system - *Zila Parishad* (ZP) at district level, *Panchayat Samiti* (PS) at Block level and *Gram Panchayat* (GP) at village level - were established in the State after enactment of Bihar PS and ZP Act, 1961. Earlier GPs were in existence from 1948 with the enactment<sup>17</sup> of Bihar *Panchayat Raj* Act, 1947. Presently, PRIs in the State are guided by the Jharkhand *Panchayat Raj* (JPR) Act, 2001. Jharkhand State was formed comprising 18 districts of the State of Bihar on 15 November 2000. After creation of six new districts there are 24 districts in Jharkhand.

As per information provided by the State Government, number of ZPs, PSs and GPs in the State are 24, 263 and 4,402 respectively.

**Organisational set-up of PRIs**

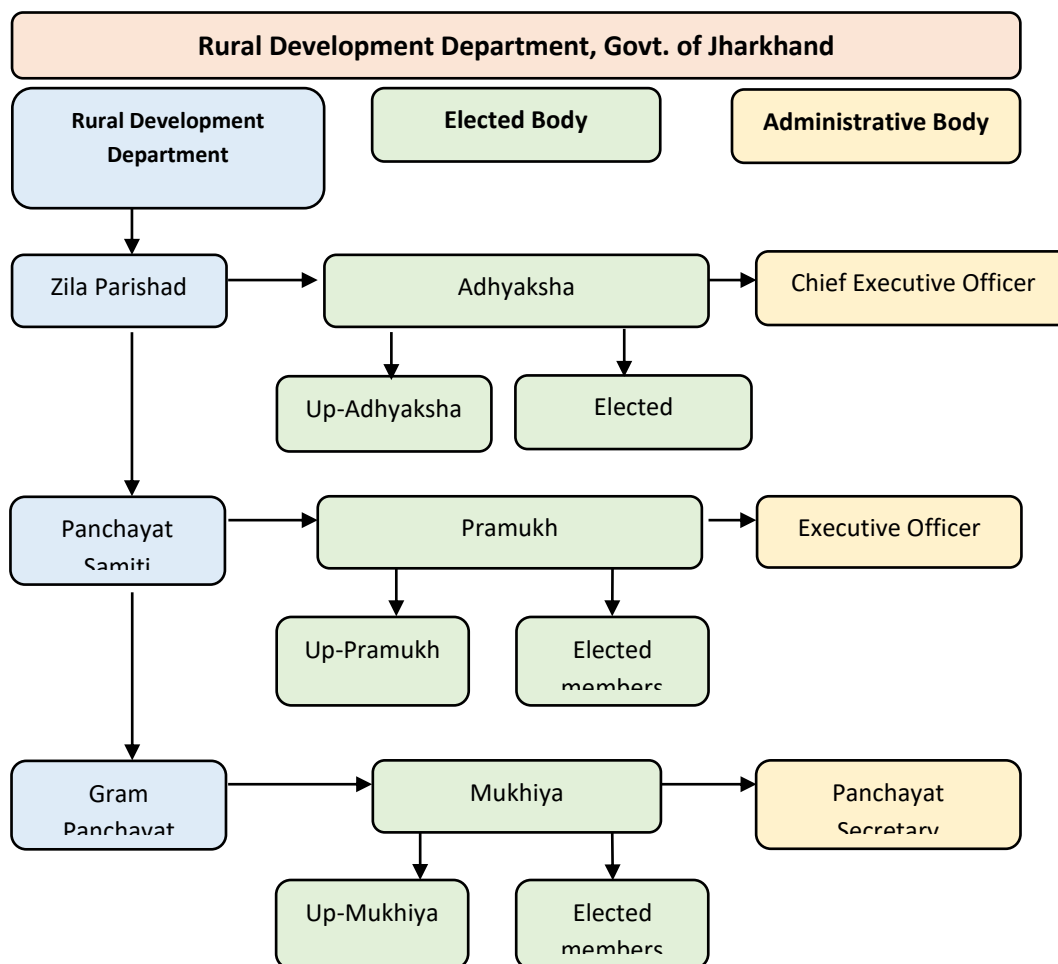
The PRIs are under the administrative control of the Rural Development Department (RDD) *Panchayati Raj* (PR), Government of Jharkhand (GoJ). The Deputy Development Commissioner-cum-Chief Executive Officer (CEO) and the Block Development Officer-cum-Executive Officer (EO) are the executive heads of the ZP and the PS respectively. The *Panchayat* Secretary is in-charge of the office of the GP.

The organisational set up of PRIs in Jharkhand is depicted in **Chart 1.1**.

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<sup>17</sup> *Zila Parishad* at district level, *Panchayat Samiti* at intermediate level and *GramPanchayat* at village level

Chart-1.1: Organogram



(Source: JPR Act, 2001)

### Duties and Responsibilities of PRIs

Article 243G and 243H of the Constitution of India stipulate that the State Government may endow the PRIs with the following powers, authority and responsibilities:

- Preparation of plans for economic development and social justice;
- Implementation of schemes for economic development and social justice as may be entrusted to them in relation to the matters listed in the Eleventh Schedule; and
- Powers to impose taxes and constitute funds for crediting all money of the panchayats.

With these objectives, the powers and functions of the GPs, PSs and ZPs have been defined by the State Government under sections 75, 76, 77 and 79 to 83 of the JPR Act, 2001

### Devolution of functions, functionaries and funds

The Eleventh Schedule of the Constitution contains 29 subjects pertaining to the PRIs. The State Government was to devolve functions, functionaries and funds (3Fs) to PRIs for these 29 subjects to enable these institutions to function as institutions of self-government, but only 16 functions have been devolved to the PRIs by 14 departments (December 2017).

Various parallel bodies like District Rural Development Agency<sup>18</sup> (DRDA), Village Water and Sanitation Committee<sup>19</sup> (VWSC) and *Pani Panchayats*<sup>20</sup> continued to function and implement development schemes which were prescribed for implementation by PRI and managing funds of MGNREGS, Pradhan Mantri Awas Yojana (Rural), National Rural Livelihood Mission (NRLM), Swachhh Bharat Mission and revenue receipts from ponds in violation of JPR Act, 2001.

## **Funding Arrangements**

DRDA or the District Panchayat is made the nodal agency for receiving Plan Funds and Grants from State and Central Governments and other sources and for distributing them among other PRIs.

In the case of centrally sponsored schemes, funds are usually transmitted by Government of India direct to each PRI implementing the scheme. Likewise, State share of the funds for such schemes is transferred to each PRI direct in accordance with the prescribed procedures or through the PRI at the higher level.

PRIs are empowered to raise funds through taxes, cesses fees, fines etc., but generally, the magnitude of revenues generated on this account is small. Hence, PRIs in Jharkhand State is heavily dependent on grants and loans from the Government for performing their functions.

Untied or general purpose grants (for example, for maintenance, staff salaries and non-plan expenditure) as well as funds and grants for specified schemes and purposes are released to PRIs by the Government. In the latter case, utilization certificates are required to be furnished by PRIs. Similarly, loan schemes are also transferred to PRIs for disbursing loans to beneficiaries, for forwarding utilisation certificates and for recovering and accounting for loans as prescribed.

A Flow Chart indicating the processes of transferring funds to PRIs is given in **Chart 1.2**.

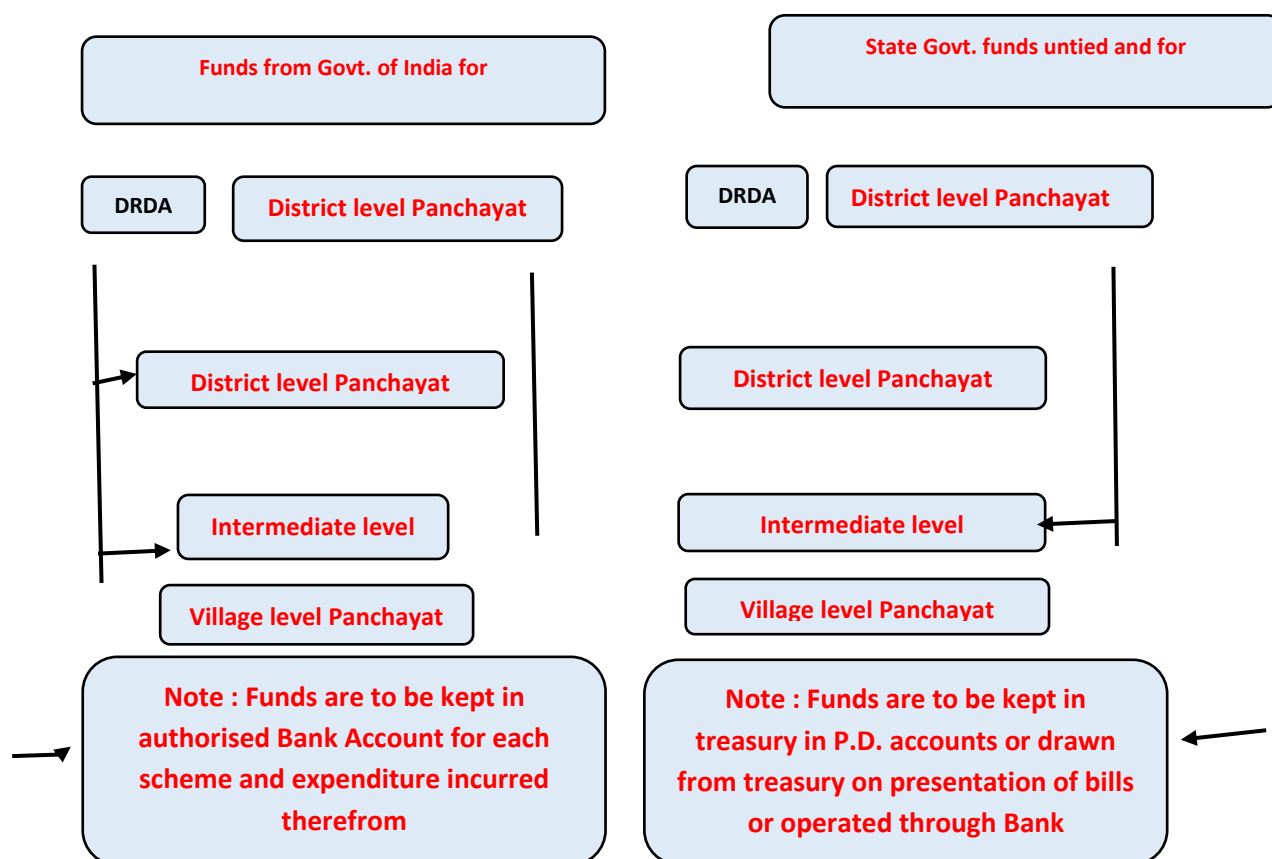
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<sup>18</sup> Planning, execution and monitoring done by DRDA instead of PRIs. Though as per JPR Act, 2001, DRDAs were to be merged under ZPs they continued to function independently.

<sup>19</sup> Created as an additional Standing Committee of GP under orders of Pr. Secretary, Drinking Water and Sanitation Department without any corresponding modification in JPR Act, 2001. JPR Act, 2001 nominates Panchayat Secretary as Secretary of all Standing Committees with shared powers for operation of funds with *Mukhiya*. This is not the case for VWSC wherein funds are operated by joint signature of either of two - Vice Chairman of VWSC, *Mukhiya* or *Jal Sahiya*.

<sup>20</sup> *Pani Panchayat*: a body of beneficiaries of water tank formed as per instruction No. 2250 dated 24.8.2011 of Agriculture and Sugarcane Development Department, GoJ. All the proceeds from the water tank are to be deposited in the bank account opened for the purpose which was being operated by joint signatures of Treasurer and Secretary of Pani Panchayat without any control of GP.

Chart 1.2 : FUNDS FLOW CHART



### Accounting System

The State Panchayati Acts and the Finance and Accounts Rules or orders issued under the State Acts lay down accounting procedures to be followed by the PRIs in regard to their financial transactions and the forms of original and subsidiary books of accounts required to be maintained by them and the forms of accounts statements and returns to be rendered by them periodically.

A representative list of books of accounts and statements of accounts required to be maintained by PRIs, and the returns to be submitted to other authorities is given as under:

#### List of Account Records Maintained

1. Cash Book, Stock Books of receipts, Cheques, License forms, Receipt books, Cheque books, Remittance Register / Challans.
2. Bill Register, Acquittance Register, Deductions Register, Undisbursed pay and allowances, Sanction of increments, Last pay certificates, Scale Register, Travelling allowances, Advances, Register of Contingent charges, Abstract contingent bill register, Register of subsidies, progress of expenditure, Service Register of employees, Registers of Pension & Leave salary contributions.
3. Daybook of receipts, D.C.B. statements, Assessments, Remissions and writeoff Refunds, Fines & Penalties.
4. Stock Registers of Consumable articles, Immovable articles, Agreements, Forms, Stamps, Logbook of vehicles, Dead Stock, Library, Roads, Lands, Wells, Streetlights.

5. Grants, Loans, Imprest, Advances, Deposits, Budget, Securities, Appropriations, Investments, Schemes, Internal audit, Authorisations, Utilisation Certificates, Assets and completion report.
6. Receipt schedules, Payment schedules, Compilation sheet, Deduction statements, Proof sheet of compilation of Treasury transactions, Transfer entries, Classified abstracts, Register of cheques issued, Consolidated abstract, Monthly statement of accounts, Plus and minus memoranda, Annual statement of accounts, Reconciliation statements, Expenditures, Execution of works, Estimates, Authorisations, Tenders.
7. Data of beneficiaries, Cattle impounded, Work allotment, Progress of work, etc.
8. Register of Audit objections.
9. Any other Registers or Accounts prescribed under relevant Rules or orders issued by competent authority.

**Budget:** The State Panchayati Acts and the Finance and Accounts Rules or orders issued under the State Acts lay down accounting procedures to be followed by the PRIs in regard to their financial transactions and the forms of original and subsidiary books of accounts required to be maintained by them and the forms of accounts statements and returns to be rendered by them periodically.

#### **NEW GUIDELINES FOR ACCOUNTING AND BUDGET FORMATS**

In October 2002, the following documents have been prescribed by the Comptroller & Auditor General for adoption by the PRIs:-

- (a) A list of Codes for Functions, Programmes & Activities of PRIs for proper classification and recording of transactions while preparing the budget and accounts relating to the functions and programmes assigned to PRIs. The codification has been devised in such a manner as to make the PRI budget and accounts amenable to computerisation.
- (b) A model budget format to serve as a guide for preparation of annual budget by the PRIs.
- (c) Separate formats of Receipts and Payments Accounts to be prepared by District level and Intermediate/Village level PRIs respectively for each financial year on cash basis incorporating all the receipts and payments, both revenue and capital, deposits, loans and advances and remittances. The formats have been designed to keep them as simple as possible so that they can be maintained easily. The salient features of these formats and instructions relating to their maintenance are as follows:-

#### **1. Financial Statements**

(i) **Annual Accounts:** Receipts and Payments Account is to be drawn up annually. It shows the amount received and paid in the period of account, classified functionally as also the opening balance and the balance on the last day of account. It also incorporates the Appropriation Accounts which show the amounts spent in the period of account on various functions up to the primary unit of appropriation, as compared with the amount granted through the annual budget and statement of variances. The columns of Budget Estimates for the year in the Receipts and Payments accounts and progressive total column depict the amounts appropriated for the year.

(ii) **Monthly Accounts:** The monthly Receipt & Payment Accounts shall be prepared by each PRI, major head-wise in a summary form, along with a monthly bank/treasury reconciliation statement.

(iii) **Additional Statements:** (These form part of annual accounts and are common for all 3 levels of PRIs.) Besides drawing up an annual statement of Receipts and Payments, the following statements are to be prepared annually:

(a) Statement of Capital Expenditure (scheme-wise) showing expenditure for the year and progressive expenditure up to the end of the year.

(b) Detailed statement of receivables and payables at the end of the year.

(c) Statement of balances in various Deposit Accounts at the end of the year.

(d) Statement of Provident Funds etc., if these are administered by PRIs at the end of the year.

(iv) Formats of Cash Book, Registers of Moveable Property, Immoveable Property, Demand, Collection and Balance, Compilation Sheet, Stock Book, Consolidated Abstract, Roads and Lands.

2. Accounting of Works Expenditure: The accounting rules and other general instructions followed by the works departments in the State Government for works expenditure, except where these are inconsistent with the provisions of PRIs Act or codes/manuals, are to be followed by PRIs.

3. For transfer of funds to the PRIs new minor heads have been prescribed. In case funds are transferred from District level Panchayats to Intermediate Village level Panchayats for implementation of various schemes, these transfers are to be shown as deduct receipts under the head Grants-in-aid and contributions on the receipt side of the Receipts and Payments Accounts of the District level Panchayat.

4. Funds received under various schemes are to be shown under Grants-in-aid & contributions, scheme-wise on the receipt side. However, on the payment side, the expenditure against each scheme would have to be shown under the relevant functional head, below the minor head.

5. The Object heads (for the sake of uniformity across the State) have been standardised. The list of Object heads with the proposed standard code for each head prescribed is to be used across the State.

Item-wise details of Object head expenditure like dearness allowance, house rent allowance etc., under salaries may be kept outside the accounts, if required.

6. The Receipts and Payments Account is prepared on the basis of figures in the Consolidated Abstract. Expenditure of a capital nature is distinguished from revenue expenditure with plan and non-plan classification. Non-plan expenditure is in the nature of continuance of earlier schemes.

7. Only one main cash book in each PRI may be maintained incorporating balances from all subsidiary cash books which are to be kept as found necessary.

8. On the basis of these model formats, the State Governments may formulate Budgeting/Accounting rules and manuals for preparing Budget and for keeping accounts for PRIs, in consultation with the State Accountants General.

9. Detailed instructions on the maintenance of these accounts, subsidiary registers/ records would have to be issued by the State Government under the accounting rules.

**AUTHORITY AND PROCEDURES FOR AUDIT OF PANCHAYATI RAJ INSTITUTIONS**

1. Parliamentary enactments: The duties and powers of the Comptroller and Auditor General in relation to the audit of Panchayati Raj Institutions (PRIs) are regulated by Sections 14, 15, 19 and 20 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (hereinafter referred to as the CAG's (DPC) Act, 1971) framed by Parliament under Article 149 of the Constitution.

2. General scope of Sections 14, 15, 19 & 20 of the CAG's (DPC) Act, 1971 : The audit of accounts of PRIs falls under two categories – one, for watch over utilisation of assistance rendered by Government and another, for certification of annual accounts, as representing true and fair picture of affairs of the PRI in public interest. Though the scope of audit of all four Sections of the CAG's (DPC) Act can cover both aspects depending on facts of each case, in practice, the job of certification of annual accounts is undertaken only under the provisions of Sections 19 and 20, while audit of utilisation of Government assistance can be undertaken under all the four Sections. The scope and extent of legal applicability of these Sections are considered in the succeeding paragraphs.

**Audit under Section 14 of the CAG's (DPC) Act, 1971**

1. At the beginning of a financial year, the quantum grants / loans released to District level Panchayats and Intermediate level Panchayats by State and Central Governments (including grants directly released in respect of Centrally Sponsored Schemes) during the preceding financial year may be obtained by the Audit Office from the District Rural Development Agencies / Societies or District level Panchayats, as the case may be. This information will enable the Audit Office to decide which of these Panchayats attract audit under Section 14 of the Act.

2. As regards Village level Panchayats, their annual accounts should be obtained by the audit party which visits the Intermediate level Panchayats for verifying whether stipulations in Section 14 are satisfied. A list of Village level Panchayats which satisfy these stipulations is to be prepared by the audit party after the completion of audit of the Intermediate level Panchayats and forwarded to head office for arranging audit.

3. A list of PRIs to be audited in a year should be drawn up and a suitable programme chalked out for audit. Each PRI should be informed in advance that audit of its transactions would be taken up under Section 14 and that for this purpose, their books of accounts and other records may be made available and necessary facilities provided for audit.

4. Since audit under Section 14 is subject to provisions of any law for the time being in force applicable to the institution or authority, it is always desirable that audit under Section 14 is taken up only after the annual accounts of PRIs are audited and certified by auditors appointed for the purpose by the Government (Usually Examiner/ Director Local Fund Audit), in accordance with the legal provisions relating to PRIs and the audit party will make comments on accounts in addition to transaction audit. Where, however, no regular auditor have been appointed and / or annual audit has been in arrears for a considerably long period, there is no objection for taking up audit under Section 14 first.

**Audit under Section 15 of the CAG's (DPC) Act, 1971.**

1. Audit under Section 15 has two parts. The first part relates to the statutory responsibility of the Comptroller and Auditor General to scrutinise procedures by which sanctioning authorities satisfy themselves about the utilisation of grants and loans given for specific purpose.



2. The second part of Section 15 empowers the Comptroller and Auditor- General to have access to the books and accounts of institutions receiving specific purpose grants, subject to certain restrictions specified therein. As most of District level and Intermediate level Panchayats attract audit under Section 14, the question of taking up audit of such institutions under Section 15 on the ground that they have received specific purpose grants in a year will not normally arise. However, the correct position in this regard may be ascertained with reference to relevant records and further action taken wherever necessary.

### **Programme and Procedure for Audit**

**1. Programme for local audit:** Audit under Sections 14, 15, 19 and 20 of the CAG's (DPC) Act, 1971 can be conducted only locally by scrutiny of records of sanctioning authorities and Panchayati Raj Institutions (PRIs). For this purpose, it is necessary that the period required for completion of audit and composition of audit party or parties to take up the work with adequate arrangement for supervision of the work, should be planned well in advance, with due regard to the time schedule within which the accounts should be certified and / or the transactions are to be scrutinised. In the case of every PRI taken up for audit for the first time, it is advisable to obtain first-hand information on the volume of work involved, number of branch units / offices situated in various places, and the arrangements existing for coordination of financial and accounting work, if necessary, by discussion with those in charge of the PRIs and chalk out a well-defined programme for audit of all units and coordination of results of audit before the accounts are certified and/ or the transactions are audited.

**2. Local audit procedure :** The procedures regarding issue of notice intimating the programme of audit, commencement of audit, control over progress of work of the audit party, issue of audit memos, discussions of the findings of audit with the Head of Institution or Department, dispatch of records to head office, scrutiny of documents at head office, processing of material at head office, etc., followed for inspection of Government offices should be followed *mutatis mutandis* in respect of PRIs also.

### **Conduct of Audit under Section 14**

1. The main objective of audit is to ascertain how the funds provided by Government were actually utilised and to identify factors that lead to suboptimum use.

**2. Financial and Performance auditing :** The duties of audit in respect of PRIs brought under the purview of Section 14 of the CAG's (DPC) Act, 1971 can be broadly grouped under two categories, viz. (i) financial auditing and (ii) performance auditing. Financial auditing is a critical review of the controls and financial records of an organisation that leads to an opinion on the accuracy and fairness of the financial statements and adequacy of the safeguards available against errors and losses. For PRIs for which the Comptroller and Auditor General acts as sole auditor, this function essentially performed in his capacity as auditor of the organisation under Sections 19 and 20 of the CAG's (DPC) Act, 1971 and includes certification of accounts. In respect of PRIs, where the Comptroller and Auditor General is not the sole auditor but is an auditor under Section 14 only, the task of financial auditing/ certification is usually performed by the auditor certifying the annual accounts (usually Examiner/ Director Local Fund Audit), though the efficacy of such audit should be subjected to check during audit under Section 14 by making comments on budgetary control.

**3. Scope of Performance auditing:** Performance auditing is an extension of the financial auditing, going beyond what is generally considered as the accounting function; it deals primarily with non-financial aspects that sooner or later are quantitatively expressed in the financial records of the organisation.

**Review of programmes and their implementation:**

Where the Comptroller and Auditor General acts as sole auditor, he combines functions for financial auditing and operational auditing. Where he is the second auditor, he acts essentially as operational or management auditor though it may be necessary for him to test-check the work done by the first auditor.

**Report on results of audit:** The findings of audit as a result of this examination in depth should be communicated in the form of a report to the PRI and to the next higher authority / Government concerned. Their replies / comments should be obtained and thereafter the final conclusions should be examined to see whether the results are such that they should be reported to the Legislature, if so prescribed by the relevant State Enactments. Based on the conclusion so reached, draft paragraphs should be prepared and processed in accordance with the procedures prescribed therefor.

**Control and Supervision of C & AG over Audit of PRIs by State Audit Agency**

Parameters of the technical control and supervision by the Comptroller and Auditor General over the State Audit Agencies have been prescribed in order to strengthen the system of audit. They are broadly as follows:-

1. The methodology and procedure for audit of PRIs by State Audit Agency shall be as per audit guidelines prescribed by the Comptroller and Auditor General of India.
2. Staff of State Audit Agency would continue to work under the administrative control of State Government.
3. Training programmes for staff of PRIs for capacity building would be organised by the Accountant General in Co-ordination with Institute of Public Auditors of India (IPAI), the agency approved by Comptroller and Auditor General to conduct training for PRIs.
4. The State Audit Agency would prepare the audit plan in consultation with the Accountant General, who shall conduct test check of the accounts of PRIs after deciding the percentage of the test check.
5. The nature, extent and scope of Audit including form and contents of the report, shall be as per guidelines issued by Comptroller and Auditor General of India.
6. Accountant General would supervise proper certification of Accounts by State Audit Agency with reference to initial records like cash book, asset register, bank accounts, etc.,
7. For implementing these procedures, State Audit Agency shall develop in consultation with the Accountant General, a system of internal control in the State Audit organisation.
8. State Audit Agency shall submit such returns / reports in such form as may be prescribed by Accountant General to evolve an effective system of monitoring the audit functions.
9. The Accountant General of the State at his discretion may supervise some of the audit parties of State Audit Agency during audit of PRIs and supplement the audit to ensure quality and timely completion of audit and certification of accounts of PRIs by such agency.

**Commencement of Audit**

1. The accounts maintained by each PRI shall be audited soon after the completion of each financial year in accordance with the provisions of relevant Act/Rules and procedures prescribed by the authorised audit agency.
2. The State Audit Agency shall have a list of PRIs to be audited every year and as stated earlier, prepared a suitable audit plan in consultation with the Accountant General. The plan

shall include selection of units, rotation of units, number of units to be test checked by the Accountant General Composition and deployment of audit staff. The Accountant general shall approve the audit plan after due examination and after effecting such modifications as may be found necessary.

3. Arrangement should be made to contact the PRIs and to bring about a working arrangement for conduct of audit. The arrangement should, inter alia, give due attention to the following points:-

(i) The date by which accounts will be made available for audit.

(ii) The time required and a tentative period during which audit will be conducted.

(iii) Adequate internal arrangements within the institution for ensuring availability of all records for audit, supply of replies to preliminary memos of audit in time, arrangement for discussion of reports/ audit objections.

(iv) Period by which audit report will be issued and replies are to be furnished by the institution.

(v) Period within which the finalised Audit Report with audit certificate will be issued.

4. Each PRI should be informed in advance that audit of its accounts and transactions would be taken up on a specified date and for this purpose, its books of accounts and other records may be made available and necessary facilities provided for audit.

5. Even when the finalisation of accounts is in arrears for a particular year in any PRI, it should be advised that records should be made available for audit of transactions.

6. The auditing Standards issued by the comptroller & auditor General of India to govern audit of transactions of PRIs (July 2002) should be observed during audit of PRIs.

### **AUDIT FOR CERTIFICATION OF ANNUAL ACCOUNTS**

While it is not obligatory on the part of the Comptroller and Auditor General to certify the annual accounts of an institution under Section 14 of CAG's (DPC) Act, 1971, in cases where he has decided to undertake its audit under Section 19 or Section 20 *ibid*, certification of the annual accounts will be involved. In cases where the Comptroller and Auditor General is the sole auditor, it will be advantageous to combine audit of transactions and audit of annual accounts of the institution in one spell, unless for any special reason, it becomes necessary to undertake audit of transactions separately from the audit of annual accounts (e.g., when the accounts are in arrears).

#### **Certification audit:**

1. Certification of annual accounts involves verification of accounts with reference to books of original entry, ledgers, subsidiary books of accounts, etc., to see that accounts are in accordance with the books.

2. Guidelines for Certification of Audit of Accounts of PRIs issued by the Comptroller and Auditor General of India (July 2002) as modified from time to time should be observed during certification audit.

#### **Form of annual accounts**

1. The form of Annual Accounts of PRIs and accounting procedures to be adopted by them will be as laid down in the Accounts Rules and / or instructions issued by Government through Notifications etc., under the State Panchayati Raj Acts.

2. Accounts of PRIs are maintained on cash basis.

3. In respect of some schemes implemented by PRIs separate bank accounts and cash books are required to be maintained scheme-wise by each implementing office. Audit should verify that this requirement has been complied with and obtain a list of Bank Accounts showing the name of the Scheme, name of the Bank and Account Number. An intelligent review of entries in the bank pass books should be conducted to find out whether any amount from one bank account has been transferred to any other unauthorised bank account. If any such cases come to notice, transactions relating to those accounts should be investigated thoroughly.

4. It is necessary to ensure that the annual accounts of each PRI as presented, indicate in sufficient detail, information necessary to enable one to develop an understanding of the results of working and the financial position of the PRI.

5. Any shortcomings noticed in this regard should be commented upon in the Audit Report.

**Completeness in Accounts:** It should be ensured in audit that the accounts to be certified are complete in all respects and the possibility of any accounts remaining out of the purview of audit is avoided. In order to ensure completeness and meaningful exhibition, all the accounts with supporting schedules as prescribed should be submitted as one set to audit to enable the auditor to check and certify these accounts in a complete manner.

**Records for accounts audit:** As all transactions ultimately get reflected in the form of cash outflow or cash inflow, cash book constitutes the most important book of original entry. For various adjustments, the Transfer Entry Book is used. While cash book serves both as a book of original entry and also a ledger, subsidiary accounts are maintained for consolidating transactions under appropriate classifications. Suspense Registers, Loan Ledger Books and challans relating to Bank / Treasury transactions and other records which have a bearing on the transactions incorporated in accounts are also to be checked during audit of accounts.

**Essential features of audit:** The essential features of the audit of accounts would be: (a) To make critical review of the system of maintaining accounts books, accounting and internal control;

(b) To make such tests and enquiries as the auditors consider necessary to form an opinion as to the reliability of the records as a basis for preparation of accounts;

(c) To compare figures of different accounts schedules with those of the connected records in order to see whether they are in accordance with the transactions depicted therein; and

(d) To make a critical review of the accounts in order that a report may be made stating whether, in the opinion of the auditors, the accounts are presented and the items are described in such a way that they properly present the receipts & payments of the PRI.

**Broad outline for accounts audit:** The method of auditing of annual accounts will be broadly as follows:-

(i) Entries in cash book and other books of original entries should be vouched and castings tested.

(ii) The postings from the main Accounts books to subsidiary accounts should be test-checked.

(iii) The justification and authority for each Transfer entry should be examined.

(iv) Balances in subsidiary Registers should be checked and agreed with schedules wherein such balances are shown.

(v) Accounts showing receipts and payments should be checked with reference to primary records.

## **Internal Control**

**Need for internal control:** Internal control is a management tool used to provide reasonable assurance that management's objectives are being achieved.

### **Need for Vouching of entries**

Mere checking of postings and totaling etc. is no proof that the books contain true entries in respect of all transactions. The duty of the auditor is to ascertain whether the books are actually correct in accordance with the best of information obtained by him the documents from which the books have been written up. This examination of the evidence offered in substantiation of the entries in the books, including such examination of the proof, to ensure that no entries have been omitted from the books, is known as Vouching. While it is not possible to deal exhaustively within the frame-work of these instructions all aspects of audit, the salient features of vouching are mentioned below:

**Vouching of Receipts:** It should be examined that all receipts have been brought to account through the cash book and other records immediately as when transactions occur and that the system of control in force over receipts does not have scope for fraud or defalcation.

**Points to be seen in checking the accounts:** The following aspects should also be kept in view while auditing the accounts:-

- (i) Check opening balance with the previous year's closing balance;
- (ii) Make sure that all income has been brought to account;
- (iii) Look for exceptional transactions which have resulted in charges or credits of a material amount to the accounting period;
- (iv) Vouch all capital expenditure;
- (v) Examine classification as between capital and revenue;
- (vi) Check bank / treasury reconciliation and existence of certificates from bankers / treasury;
- (vii) Review balances of suspense accounts, loans, advances, etc., analyse their pendency and ensure that their recovery is enforced and correctly accounted for and that balances shown in Registers and accounts are not erroneous or fictitious;
- (viii) See if credits from any source of income have come down as compared to previous year's figures;
- (ix) Examine particularly the bookings against items which qualify for grants / assistance to prevent attempts at securing inflated assistance from Government or to detect mistakes which may result in reduction in the quantum of assistance.
- (x) Ascertain the system of stock taking, test check, stock sheets and valuation and existence of verification certificates from responsible officials as prescribed;
- (xi) Verify existence and ownership of assets and check basis of valuation;
- (xii) Look for assets created or expenditure incurred which have not been productive; and
- (xiii) Look for charges / transactions falling beyond the scope of authorized activities of the organisation.

### **Transactions under Plan and Non-Plan**

1. Transactions are to be examined to ensure that there is no mixing up of plan and non-plan in any inflow or outflow and if there be any mix-up, suitable comments should be made in the Audit Report.
2. If plan and non-plan transactions are not separately depicted in accounts, a separate schedule for bifurcation of revenue and capital and plan and non-plan may be insisted upon by audit.
3. If the PRI is not able to exhibit such important data distinctly and correctly under major activities / heads of accounts, it should be commented upon in the Audit Report.

**Cross checking of accounts with schedules:** It has to be ensured in audit that all the schedules referred to in accounts are correctly drawn up and that figures shown therein tally with accounts figures, as schedules form part of the accounts certified by audit.

### **Reconciliation**

**Bank Reconciliation:** It has to be seen in audit that

- (i) Action has been taken at the end of each month to agree the Bank balance with the Cash Book balance;
- (ii) Proper action has been taken to reconcile the differences between the two balances and to clear the old differences expeditiously;
- (iii) In particular, for all payments in the Bank Pass Book there are corresponding entries in the Cash Book duly supported by proper vouchers and cases of absence of payment entries in the Cash Book and vouchers are promptly investigated in detail. Similarly, cases of remittances to Bank as shown in the Cash Book, not found in the Bank Pass book should also be investigated thoroughly.
- (iv) Further, It has to be ensured that comments about arrears in Bank reconciliation highlighting possibilities of misappropriation and frauds and the risks involved due to non-reconciliation / delays in reconciliation and the procedural deficiencies and lapses are highlighted in the Audit Reports.
- (v) It should be ensure that wherever warranted, Audit Report should contain a clear comment that the bank / cash balances as revealed in the books of account could not be verified and their accuracy ensured in audit due to such non-reconciliation and non-production of relevant records.

**Treasury Reconciliation:** In the States where PRIs are authorised to draw funds from Government Treasuries by presentation of bills and cheques, the treasury officer is required to forward Schedules of Receipts and Lists of Payments as in the case of Government departments to the PRIs every month. In addition, he will forward every month a Plus and minus Memorandum to the PRIs, showing the Opening Balance, Receipts, Total Payments and Closing Balance under the PRI fund concerned. The figures in these documents should be checked with reference to those of the PRI Accounts wing and differences between the two reconciled promptly every month.

If **Minus Balances** have been shown in the accounts, they require careful probe in audit. They sometimes foretell serious irregularities. Reasons for each minus balance should be examined in detail and commented upon.

**Suspense heads:** The extent of transactions and outstanding balances under suspense heads and their relevance to the accuracy in accounts may be examined carefully and commented upon in the Audit Reports, because Suspense Accounts dilute the accuracy of accounts.

**Register of assets:** These should be carefully checked and certification and physical verification of assets insisted upon. Cases of non-availability of such certificates should be commented upon in the Audit Report. Whether a statement in the prescribed form showing the fixed assets held by the PRI at the end of the financial year is sent to State Government along with the annual statement of accounts should be seen and its correctness verified.

**Concise and brief comments:** It should be ensured that comments on accounts to be included in the Audit Reports are concise and brief with a clear statement about impact on accounts of each comment as a result of defective procedure / accounting followed. Report on accounts should convey only final comments and should not read like as an Inspection Report Para or a Draft Para. Comments on accounts should always state the resultant under or over statement of the transaction concerned, and the impact on surplus / deficit and on assets / liabilities, in exact amounts.

### **Auditors' Certificate**

The Certificate is in two parts, given in separate paragraphs:

- (i) The first part would provide information about the scope of audit; and
- (ii) The second part would give the auditors opinion on accounts.

## **GENERAL PRINCIPLES AND RULES OF AUDIT**

The audit checks detailed in the following paragraphs are applicable to all classes of vouchers and expenditure.

### **Audit against sanctions to expenditure**

1. Financial powers delegated to different authorities of PRIs are described in the financial rules and/or special orders issued by the State Government or other competent authorities.
2. In audit, apart from seeing that an item of expenditure is covered by a sanction, either general or special, it has to be ensured that (a) the authority sanctioning it is competent to do so by virtue of the powers vested in it by the provisions of Rules and/or orders issued by competent authorities and (b) the sanction is definite and thus needs no further reference either to the sanctioning authority itself or to any higher authority for obtaining clarification thereon. A sanction to expenditure if received by Audit office, should be examined and admitted as regular and correct. In other cases, sanctions should be examined during local audit of PRI.
3. In the audit of sanctions to expenditure, the following guidelines should be observed
  - (a) If the sanctioning authority is vested with full powers in respect of a certain class of expenditure, a sanction issued by it can be objected to only on grounds of propriety.
  - (b) If conditions are attached to the powers delegated to any authority, sanctions accorded under these powers can be objected to if it is found that such conditions have not been fulfilled.
  - (c) It has to be ascertained that orders defining the powers of any authority in precise terms are obeyed exactly in every instance.
  - (d) It has to be watched that expenditure sanctions are not split up to avoid the necessity of obtaining sanction of a higher authority.

### **Audit against Propriety**

1. In addition to ensuring that the relevant rules and orders of competent authority have been observed and that there is no irregularity in respect of an item of expenditure, it is important to see that the broad principles of orthodox finance are borne in mind by the officers sanctioning and/or incurring expenditure. This is called Propriety Audit.

2. The following general principles which have been universally accepted as standards of financial propriety or standards of official conduct of financial administration should be applied in the course of audit :-

(i) The expenditure should not be prima facie more than the occasion demands. Every officer is expected to exercise the same vigilance in respect of expenditure incurred from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money.

(ii) No authority should exercise its power of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.

(iii) Public money should not be utilised for the benefit of a particular person or section of the community unless -

(a) the amount of expenditure involved is insignificant; or

(b) a claim for the amount could be enforced in a court of law; or

(c) the expenditure is in pursuance of a recognised policy or custom.

(iv) No authority should sanction any expenditure which is likely to involve at a later date, expenditure beyond its own power of sanction.

(v) The amount of allowances, such as travelling allowances granted to meet expenditure of a particular type should be so regulated that the allowances are not on the whole sources of profit to the recipients.

3. Any infringement of the principles enunciated above should be mentioned in the Audit Report and taken up with the authorities at appropriate levels.

### **Audit against Rules and Orders (Audit against Regularity).**

1. It has to be noted that the transactions should conform to the provisions of several Codes, Manuals, Rules and Regulations, orders and instructions issued by Government and other competent authorities and made applicable to the PRIs.

2. It has to be seen in audit that the transactions of PRIs as evidenced by the documents audited, are in accordance with the prescribed Code Rules, Manuals, Instructions, etc.

3. It is also important to ensure that rules and regulations are observed not merely in the letter but also in the spirit.

### **Audit against Provision of Funds**

Every PRI is required to compile an annual budget indicating various sources of income, anticipated income from such sources, the expenditure planned against prescribed heads of account both revenue and capital. The budget so compiled must be approved by the apex body in the annual meeting, including where necessary, a revised estimate for the year in progress, Copies of budget are required to be sent to Government for approval.

In audit it has to be seen that –



- (i) Proper control record is kept to watch the progress of income and expenditure against funds estimated for the purpose in the approved budget.
- (ii) Variations between actuals and budget provisions are examined at appropriate levels and remedial action is taken where called for and re-appropriation approved by specified authorities.
- (iii) Final receipt and expenditure under several heads of account at the end of the year are duly examined with reference to final appropriation and variations are brought to notice of the apex bodies for information and regularisation where necessary; and
- (iv) Money expended has been applied to the services and purposes for which funds have been provided in the budget and it does not exceed the provision made therefor.

### **Audit of Classification**

1. It has to be verified in audit that the transactions are correctly classified in the accounts under appropriate prescribed heads of accounts in accordance with the budget provision and also general rules and regulations relating to classification of transactions.
2. Audit should also see that the major, minor and detailed heads of accounts as noted in the paid vouchers are authorised heads, classified according to the provisions made in the sanctioned annual budget under 'Plan' and 'Non-plan' and the expenditure which should have been classified under 'Capital' section of the account has not been classified under 'Revenue' and vice-versa.

### **CHECK OF COMMON BOOKS OF ACCOUNTS AND REGISTERS**

All the Panchayati Raj Institutions (PRIs) dealing with cash transactions and Establishment matters should keep initial records as laid down in relevant rules, manuals, orders etc. Apart from these, the offices working under each Drawing Officer of PRIs are required to maintain registers, etc., as prescribed for the purpose of accounting for and exercising control over the several transactions of each department. Audit Parties should, therefore, verify in the first instance, whether the offices / institutions visited by them have maintained all the registers, records, etc., as prescribed in the Rules, Codes, Manuals, Orders, etc., applicable to them. Omissions and defects, if any, should be commented upon in the Audit Reports.

PRIs are required to maintain accounts on cash basis and prepare Receipts and Payments Accounts.

**General Checks applicable to all Records :** Audit checks generally to be exercised on common as well as other registers, etc., kept in the offices subjected to audit are as follows :

- (i) The register is maintained in the prescribed form, page numbered and a certificate of count of number of pages is recorded under the attestation of the Head of Office on the first page.
- (ii) All the columns in the Register are correctly and properly filled in.
- (iii) Entries of receipts and payments are made in the chronological order on the date and as and when each transaction takes place.
- (iv) There are no over-writings, erasures, interpolations, etc., and all corrections are properly made by drawing a line through the erroneous entry and by inserting a fresh entry under the proper attestation of the Head of Office.
- (v) Entries or pages of the Register have not been tampered with.
- (vi) Entries in the Register have been made up to date, attested by a responsible officer, closed and reviewed by the Head of Office regularly as prescribed in the relevant rules.

## **Cash Book**

1. In addition to the Cash Book for general transactions, PRIs are required to maintain a separate Cash Book for recording Bank transactions relating to each Centrally Sponsored Scheme

2. Cash Book is the most fundamental record and audit commences with the check of entries and posting in the cash book. The main purpose of auditing the cash book, is to verify that :-

- (i) All receipts are taken into account in full;
- (ii) No improper or fraudulent payments are made;
- (iii) All receipts and legitimate payments are accurately recorded;
- (iv) The balances reflected in it are worked out correctly from time to time; and
- (v) Payments are made to the Scheme implementing agencies properly and promptly.

3. For the purposes indicated above the Cash Book should be generally examined to ensure that it is being maintained properly in the prescribed form and arrangements for obtaining cash, its custody, payment and accounting of cash transactions are in accordance with the relevant rules. The following points are to be covered during this examination:-

(i) Adequate security from the cashier has been obtained, accepted by competent authority and documents relating thereto are kept in the safe custody of the office.

(ii) Moneys received are remitted in full into the Bank or Treasury without undue delay and without appropriating them to meet departmental expenses.

(iii) Details of unspent balances in hand are shown when closing the Cash Book at the end of each month. Heavy cash balance, which is not required for immediate disbursement, is not kept on hand at any time.

(iv) No money is drawn from the Bank/Treasury far in advance of requirements.

(v) Advances paid for departmental purposes do not remain unadjusted for unduly long periods for want of accounts supported by vouchers or refund, as the case may be.

(vi) At the end of each month, the cash book is closed and the cash in chest is verified by the Officer-in-Charge of the cash who should mention in his own handwriting over his dated signature, cash actually found at the time of verification and whether the same tallies with the balance appearing in the Cash Book. Any discrepancy coming to notice is dealt with as per prescribed rules.

(vii) Totals of the Cash Book if not checked by the Officer-in-Charge of the cash, are verified by an official other than the Cashier. In token of such verification, the official should certify "Totals Checked" over his dated initials in the Cash Book.

(viii) Private cash (collection of Co-operative dues, etc.) is not mixed up with the regular cash balance of the office.

(ix) No money paid to an employee is charged off in the Cash Book, unless it is in settlement of a personal claim and it is ensured that such employee remains accountable for the money received by him till he renders accounts for the same.

(x) Accounts of imprests and temporary advances, if any, are regularly closed and rendered promptly every month and the recouping officer properly verifies them before recouping. When the Cash Book is closed at the end of the financial year, permanent advance is fully recouped and accounted for in the main cash book.

(xi) On the first day of audit of any PRI, the cash balances should be got verified in the presence of the officer in charge of the audit party and the results recorded in the cash book. Shortcomings, (shortage or surplus) if any, noticed in this regard should be brought out in the Audit Report.

(xii) Verification of encashment / remittances of the PRIs audited should be conducted for two selected months, in case where the transactions of PRIs take place through Treasuries. Certificate to that effect should be enclosed to draft Audit Report.

4. Apart from the general scrutiny as above, detailed check of transactions relating to the month or months selected for such check should be done as follows:-

(i) All receipts of cash as shown in the counterfoils of receipt books as well as cash received from the Bank / Treasury and other receipts in the form of cheques, cash or bank drafts, etc., are traced in the Cash Book under the respective dates and with correct particulars, on the Receipts side.

Note:- In the case of offices where the receipts are heavy (e.g., Hospitals, Educational Institutions, Forest Divisions) 50% of the receipt entries relating to the entire period covered by audit should be verified at random from the counterfoils of receipt books.

(ii) All receipts which are remitted into the Bank / Treasury were so remitted without any delay. Cash receipts are not diverted to meet expenditure other than that, if any, authorised.

(iii) Remittances into Bank / Treasury are supported by the entries in the Bank Pass Book / Remittance Register, in original challans duly received by the Bank / Treasury for the amounts shown in the Bank Pass Book/Remittance Register and in duplicate challans and Cash Book.

(iv) Payments made are supported by proper vouchers complete in all respects.

(v) Totals are correct and all balances have been worked out correctly.

(vi) Permanent Advance, if any, held is accounted for in a complete manner in the Cash Book, clear details of cash on hand and un-recouped vouchers are recorded.

(vii) Expenditure has not been incurred in excess of the permanent advance by using departmental receipts or other unspent balances of amounts drawn from the Bank / Treasury for a different purpose.

(viii) Where subsidiary Cash Books are maintained, the transactions therein are duly taken over in the main Cash Book or a system exists where balances of all Cash Books are consolidated and reconciled.

5. PRIs drawing funds from the Treasury on presentation of bills receive the payment vouchers along with the monthly schedules from the Treasury and keep them in their custody. It should be verified in audit that in such cases, payment vouchers tally in all respects with the duplicate bills and the entries in the Cash Books. In particular, it should be seen that there are no tampering and that there is no scope for any manipulations or frauds. This verification should be done for the month / months selected for detailed check.

6. An intelligent review of the Cash Book entries and the Expenditure statement has to be conducted. Transactions involving heavy expenditure may be identified for a thorough check with reference to the office files, notings, sanctions issued by competent authority etc., connected with such transactions. Further, if any serious irregularity comes to notice during detailed check of Cash books and transactions for the selected month / months, the scrutiny should be extended to transactions of other months also.

### **Bank Reconciliation**

The following points should be seen in audit :-

- (a) The cheque books are kept in safe custody, stock of books properly accounted for and the procedure for issue of cheques as laid down is duly observed.
- (b) Inter bank transactions are not resorted to i.e., from one bank account to another bank account. These transactions, if any, should be scrutinized carefully to ensure that such amounts have been utilised properly and recouped within a reasonable time and that such interbank transactions are authorised by the competent authorities.
- (c) Undue and heavy withdrawals of money on self cheques should be particularly scrutinised. The transactions connected with such withdrawals should be verified in detail with reference to vouchers / records in the office to make sure that services rendered and / or supplies made as recorded in the documents and registers have been actually and properly accounted for and represent real transactions relating to the activities (schemes or general purposes) of the PRI. Similar verification should be conducted in respect of cheque payments involving large amounts.

**Treasury / Bank Challans :** The following points should be seen :-

- (i) There is a legible receipt for the amount received by authorised officials of the Treasury or the Bank, his official stamp is affixed and the amount receipted tallies with the amount for which the challan was prepared.
- (ii) The entry in the challan has not been tampered with and the amount is written clearly both in words and in figures to prevent the possibility of fraudulent interpolations.
- (iii) The signatures of the Bank or Treasury official signing the receipt on the challan should be compared with those on other challans. If they differ, reasons for the same should be ascertained.

### **Receipts**

1. Every institution will have a prescribed procedure for issue and accounting of receipt. While auditing the receipts the points mentioned below are to be looked into:
2. It should be verified that the provisions of relevant Rules have been complied with by the The Head of Office in dealing with the receipt transactions.
3. It should be verified that the procedures prescribed for collection and remittance of PRI moneys have been followed by the Head of Office.
4. It should be seen that the transactions relating to remissions, writes-off and refunds of revenue have been regulated and accounted for in accordance with prescribed Rules and Orders, by the Head of Office.
5. The Registers, etc., that are prescribed in the relevant Rules should be scrutinised to see that they are properly maintained by the Head of Office. When conducting detailed check of transactions relating to the selected month/months, the individual items should be traced from one document to the other corresponding document, etc., and the several entries in respect of a transaction linked to one another to ensure the proper observance of the Rules cited above.
6. The Stock Account of Receipt Books should be verified to see that
  - (i) the entries of issue of fresh books and receipt of used books are properly made after check;
  - (ii) in the case of cancelled receipts both the counterfoil and the original duly cancelled are available and

(iii) the physical verification of used and unused books is done periodically by the Head of Office with reference to the balances in the Stock Account and a certificate of verification recorded. Audit Party should also verify the existence of receipt books with reference to Account Balances as on the date of verification.

7. It has to be noted in particular that revenues generated from the resources of the PRI should be credited to relevant heads of account as prescribed. Similarly, income tax, sales tax, royalty, etc., recovered from bills or received in cash should be promptly paid into the credit of the respective accounts and should not be retained in the office. It should be seen that there has been no violation of these requirements by the Head of Office.

8. It should be seen that realisations of revenue are duly posted in the Demand, Collection and Balance registers and the Cash Book.

9. Reasons for loss of revenue, if any, should be duly examined and it has to be verified whether they have been written off under orders of the appropriate authority.

### **Payments**

1. It should be verified that the procedures laid down in the relevant rules and orders have been followed in regard to payment transactions and the documents/ registers / records prescribed in those Rules have been maintained properly by the Head of Office.

2. It should be seen that all payments in excess of the prescribed limits for cash payments have been made through crossed cheques drawn in favour of parties and in no case cash payment has been made by drawing self cheques or out of cash balances available in the office. When drawing bills from treasury, a requisition for issue of crossed cheque "Account Payee Only" is attached invariably to all such bills. It should also be verified that bearer cheques are not issued in any case. Further, endorsements made on cheques should be tallied with the acquittance in voucher or vouchers and it should be seen that no PRI employee figures in them as an endorsee.

3. It should be checked that while preparing Detailed Contingent bills for supply of materials, stock certificates in the prescribed form are enclosed and that payment on the basis of proforma invoices is not made in any case. Advance payments on proforma bills can be made in cases where they are expressly permitted by the competent authority, if the relevant rules so provide.

4. During detailed audit of transactions of the selected month / months, individual items should be traced from one document to the other corresponding document, etc., and the several entries relating to a transaction linked to one another to ensure the proper observance of the Rules prescribed.

5. All vouchers in respect of payments made during the month / months selected for audit should be scrutinised carefully and in a complete manner. It should be verified that every payment entered in the Cash Book is supported by legal quittance, indicating therein the party to whom the money is paid, particulars of transaction to which the payment relates, the period for which the claim relates and, date of payment duly attested by person authorised to make payment. It has also to be seen in audit that :-

(i) Vouchers are filed in a chronological order and are given distinct serial number according to a well-established procedure;

(ii) Claims are clearly stated and are due and admissible;

(iii) Arithmetical calculations are correctly made;

- (iv) Receipts (stamped where necessary) of the claimants are available;
- (v) Materials purchased with reference to claims admitted for payment are duly taken note of in the relevant stores / stock registers;
- (vi) Claim admitted is considered reasonable for the purchase and sanction for purchase/ payment had been accorded by the competent authorities;
- (vii) Vouchers are duly stamped "Paid" and cancelled to obviate double payment;
- (viii) payments are, as far as possible, made by crossed (Account Payee) cheque and cash payment is justified in cases where it is resorted to; and
- (ix) Vouchers are correctly classified and duly accounted for.

### **Security Deposits**

1. It should be seen that:-

- (i) Security in the proper form and for the prescribed amount has been furnished by officials dealing with cash or stores and by contractors and suppliers who are engaged to execute a work or effect supply of stores to the office;
- (ii) Security Bonds in the appropriate form have been executed by the persons concerned;
- (iii) Securities such as Savings Bank Pass Books, Fixed Deposit Receipts, Bank Guarantees etc., have been duly hypothecated in favour of the Head of Office;
- (iv) Conditions attached to the security are being fulfilled by the persons concerned and requisite action is taken promptly by the Head of Office in case of any infringement of any of the conditions;
- (v) Validity periods of securities, such as Bank Guarantees, furnished are in accordance with the requirements of contract, supply order, etc., and prompt action is taken by the Head of Office to get them renewed whenever necessary;
- (vi) Securities and Security Bonds are kept in safe custody and are released only after the purpose for which they have been obtained is served and with the prior approval of the competent authority; and
- (vii) The title of the person concerned to the Security Deposit is absolute.

2. The Register of Security Deposits is to be verified to see that (a) entries relating to the receipt and disposal of deposits since last audit have been correctly made with attestation of the Head of Office; (b) acknowledgments of parties have been obtained when Security Deposits have been returned and (c) physical verification of Securities is conducted every year by a responsible officer with reference to the entries in the Register and a Certificate of Verification recorded in the Register over the dated signature of the verifier.

### **Establishment Pay Bills and Acquittance Rolls**

1. Establishment pay bills and acquittance rolls relating to the period covered by local audit should be generally reviewed to see that they are correctly prepared and properly maintained, acknowledgments of payees (duly stamped, where necessary) are invariably obtained in the acquittance rolls, supplemental claims are noted against original claims in the acquittance rolls, and prescribed certificates as applicable to the claims preferred in the bills are furnished. The checks detailed in the succeeding paragraphs should be applied to all the pay bills and acquittance rolls pertaining to the months selected for detailed check.

2. A scale register is maintained by each the Head of Office, wherein various posts sanctioned, numbers, scale of pay, period of currency etc., are recorded in respect of each establishment. The correctness of the entries in the Scale Register maintained in accordance with the relevant Rules in the Office audited should be ensured in the first instance with reference to the orders cited therein. The number of officials for whom pay has been drawn in the pay bills should be checked with the sanctioned strength of the establishment as recorded in the Scale Register. Any excess number of officials employed over the sanctioned strength should be reported to the head of office promptly so that the matter may be taken up with appropriate authorities for requisite action.

3. The correctness of the pay and allowances of each official drawn in the pay bills should be verified with reference to the following documents:-

(a) State Service Rules and/or general or special orders as applicable to PRIs issued by Government governing appointments, transfers, joining time, suspension, retirement, pay scales, different types of special pay and compensatory allowances, etc.

(b) Service Books.

(c) Increment Certificates.

(d) Orders of appointment / promotion / reversion of an individual.

(e) Sanctions to leave.

(f) Orders of suspension and grant of subsistence allowance.

(g) Orders, if any, of the Disciplinary authority having a bearing on the pay, increment or promotion.

4. Apart from exercising checks as mentioned above, initial fixation of pay, cases of increments sanctioned and cases of fixation of pay done due to promotion, reversion or general revision of pay scales during the period covered by local audit should also be verified to ensure their correctness.

5. Cases of leave encashment should be scrutinised.

6. Noting of supplemental claims against original claims in the Acquittance Rolls should be specifically verified as also compliance with the other requirements connected with acquittance rolls.

7. The correctness of the arrears drawn and paid to an official on account of revision of pay scales, rates of Dearness and other allowances, etc., should be checked.

8. Correctness of recoveries towards Income Tax, Contributions to Provident Fund and other funds, installments of repayment of advances etc., should be verified. It should also be seen in audit whether, such deductions have been remitted to the departmental and accounting authorities concerned promptly and regularly in accordance with the prescribed procedures.

9. It should be verified that satisfactory arrangements are made for keeping a watch over undisbursed amounts. It should be seen that:-

(a) Disbursements made have been duly accounted for in the cash book and the subsidiary register;

(b) Certificate of disbursement is furnished at the foot of the acquittance rolls;

(c) Register of Acquittance Rolls bears the dated initials of the Drawing Officer at the time of drawing the bills and of the Disbursing Officer after disbursement of the amounts;

(d) Where the amounts withheld are drawn subsequently in supplemental bills, references are quoted in the Registers, and

(e) Amounts remaining undisbursed for more than three months are refunded into the Treasury / Bank either in cash or by short drawal in the subsequent bills.

### **Bill Register**

The following points should be seen:-

(i) It is maintained in the prescribed form and all the columns provided therein are properly filled in;

(ii) All bills drawn are entered date-wise in the register, the entries being duly attested by the drawing officer;

(iii) When the bills are endorsed to parties a note to that effect is made;

(iv) Reference to the voucher (number and date) is given in all cases;

(v) When bills are cancelled, a note to that effect is made in the Register.

### **Contingent Vouchers and Register**

1. Every payment of a routine nature for the day to day functioning of the office, such as stationery, postage, maintenance, running of vehicles, purchase of uniforms to staff, cartage (transportation), entertainment expenses etc., fall under the category of office contingencies. In respect of these transactions it is necessary to see in audit that:-

(i) Proper record of expenditure under each category is kept;

(ii) Expenditure is regulated according to prescribed scales;

(iii) There exists adequate justification for abnormal increase, if any, in expenditure under any category;

(iv) Control over the expenditure is vested in certain authorities and they have performed their assigned duties adequately; and

(v) Procedure, if any, prescribed to be followed before incurring any contingent expenditure is observed.

2. The sub-vouchers which have not been forwarded to the Accounting Officer of PRI but retained by the Head of Office should be especially checked and linked to the main contingent bills. It should be verified that they are kept on record and duly cancelled so that they cannot be used again.

3. The following points should be seen when checking the Contingent Register:-

(i) Each entry is supported by a voucher and attested by the drawing officer.

(ii) Entries are correctly made under the sub-heads of charges.

(iii) The total of entries of sub-vouchers agrees with that of the Contingent Bill drawn.

(iv) The progressive total expenditure from month to month during the year, under each head of classification does not exceed the allotment noted at the top of the respective columns.

(v) The totals of the bills drawn are correctly worked out.

(vi) In the case of bills for purchase of stores, the articles detailed in the bills have been correctly taken to the Stock Register concerned.



(vii) Payments made for stores have been noted in the indents and invoices concerned to prevent any double payment.

(viii) When wages payable to labour or casual workers have been drawn on contingent bills, wages payable have been correctly calculated and proper acknowledgements have been obtained from the payees in the acquittance rolls.

(ix) The flow of expenditure is even and that if expenditure is unusually heavy towards the end of the year, it has not led to financial irregularities.

(x) No money is drawn from the bank / treasury unless it is required for immediate disbursement.

(xi) All charges incurred have been drawn and paid promptly and they have not been held over to be paid from the grant of the next year.

4. Points, if any, referred by the Central Audit Wing for local verification of discrepancies in the bills should be carefully examined to ascertain the correct position and to detect serious irregularities, if any, relating to such cases in the PRI under audit.

5. A special report should be forwarded to the Head of the PRI on the lapses, if any, noticed on the part of the Controlling Officer who has countersigned the contingent bills.

### **Muster Rolls**

1. In PRIs employ labour on daily wages, Muster Rolls in the prescribed form are used.

2. The points to be covered in audit of Muster Rolls are as follows:-

(i) Record of employment on specified jobs and record of performance of the specified job are available;

(ii) Attendance is taken daily and a daily labour report is sent from the field to the office and supervision over the work is adequate;

(iii) Record of attendance is checked periodically, by a responsible officer inspecting the works on which the labour is employed and assessment of work done visa-vis the expenditure incurred is made;

(iv) Disbursements are not entrusted as a rule to officials of low standing;

(v) Father's name and name of village are noted in respect of each person, wages payable are correctly worked out and payment is properly acknowledged.

(vi) As far as possible, the officer disbursing the wages should be different from that controlling the labour;

(vii) A record is kept of the progress of work done by labour and its cost does not exceed the value at current rate and expenditure has been correctly apportioned between capital and revenue;

(viii) If the cost of work done through labour is excessive, the reasons for the same are looked into for exercising closer / stricter financial control;

(ix) Labourers paid from muster rolls were not engaged on any work other than that for which they were employed; and

(x) The work on which employment was made necessary and time taken for its completion was reasonable.

**Stamp Account:** It should be seen that:-

- (i) The account has been maintained properly bringing to account all receipts and issues and totals and balances have been correctly worked out;
- (ii) Physical balance has been verified periodically and agreed with the book balance;
- (iii) Stamps have been used strictly for official purposes; and
- (iv) Expenditure on telegrams is not excessive.

**Stationery Register:** It should be seen that:-

- (i) All purchases of stationery shown in the indent are traceable with the receipt entries of this register in respect of the months for which detailed check is being conducted;
- (ii) Totals and closing balances are correctly worked out; and
- (iii) All issues are bonafide and there is no evidence of any tampering of entries.

**Register of Forms:** During scrutiny of this Register –

- (a) The receipt entries should be checked with the indents;
- (b) Correctness of issues should be test checked;
- (c) A percentage of totals and closing balances should be verified; and
- (d) The receipts and issues of saleable forms, (such as tender documents) license forms or receipt forms should be checked very carefully.

**Log Books for Vehicles and other Records**

1. It should be verified that in respect of vehicles attached to the office, the following records are maintained:-

- (a) Log books in the prescribed form.
- (b) A record of repairs and replacements indicating the cost and the dates on which they have been carried out.
- (c) A register showing cost of petrol, diesel, oil, etc., consumed and all incidental expenditure.
- (d) An inventory of accessories, tools, spare parts, etc.

2. The following points should be seen in audit:-

- (i) The entries in the log book and other records are made in ink and there is no tampering of the entries.
- (ii) The kilometer readings at the start and at the completion of each journey are noted by the officers using the vehicles in their own handwriting or by other subordinate officers duly authorised to authenticate the entries.
- (iii) The purpose of the journey is noted clearly to indicate that journeys are official and also marked as 'Official' and signed by the officer using the car, van or jeep.
- (iv) The log book is scrutinised by a senior officer once a month to ensure that there is no misuse of the staff car and that officers who used the staff car have made the necessary entries in the log book. A certificate to this effect is recorded in the log book by the officer authorised to scrutinise it every month.

- (v) The log book is closed at the end of each month and a summary showing details of duty and non-duty journeys performed during the month is prepared in the prescribed proforma.
- (vi) The staff car is used for bonafide official duties and its use for non-official journeys is allowed to a limited extent without detriment to official work.
- (vii) All private journeys where allowed are charged at the rate fixed for the purpose and the charges at these rates are recovered correctly and promptly from the concerned persons for the entire distance travelled.
- (viii) Proper control is exercised over consumption of petrol, diesel, etc. The average K.M. run per liter of fuel is worked out every month and it compares favourably with the optimum prescribed average consumption. In case consumption is more than the average, reasons for the same are investigated and suitable remedial measures are taken.
- (ix) The cost of repairs and replacements is not on the high side.
- (x) The replacement of same part / parts is / are not repeated in quick succession.
- (xi) Reasons for frequent repairs / break down of vehicles / staff car are not such as to indicate negligence on the part of the drivers or laxity of control.
- (xii) All bills paid towards the cost of P.O.L are entered in the Register of P.O.L.
- (xiii) The entries made in the Register of P.O.L. agree with those made in the P.O.L. Account maintained in the log books.
- (xiv) The accessories, tools and spare parts are kept on record immediately on their purchase and the entries are verifiable from the relevant vouchers.
- (xv) The stocks of accessories, spare parts, etc., are physically verified once a year by a responsible officer with reference to the inventory and a certificate of verification recorded. Any shortage coming to notice is promptly enquired into and is got replaced or its value recovered from the person responsible for the shortage. The Stock verifier should also verify whether the accessories, spare parts, etc., are in good and usable condition.

### **Travelling Allowance Bills**

1. In the audit of T.A. Bills of PRI staff paid in the month or months selected for detailed check, it should be seen that the following fundamental requirements have been satisfied -

- (i) The journey was actually performed.
- (ii) The journey was necessary and authorised by general or special orders.
- (iii) The journey was performed as expeditiously as possible.
- (iv) No bill has been submitted and / or paid for the same journey before.
- (v) The amounts claimed (fares or mileage for journeys, daily allowance etc.,) are correct with reference to the pay of the claimant and prescribed rates as also general / special conditions.
- (vi) Particulars under all the columns in the bill have been clearly furnished.
- (vii) The claimant and the drawing and countersigning officers have given all prescribed certificates and declarations applicable to the claims included in the bill in a correct and complete manner.
- (viii) Supporting documents such as tickets in proof of travel and receipts for conveyance of personal effects in case of transfers as prescribed have been attached to the bill.

(ix) The controlling officers who have countersigned the T.A. Bills have properly discharged their duties.

2. In the case of journeys performed by using the PRI vehicle, a comparison of the entries relating to the time of departure and the time of arrival made in the T.A. Bills should be made with those recorded in the Log Book of that vehicle on the days on which Daily Allowance is claimed by the officer using the vehicle. This comparison would ensure the correctness of the quantum of Daily Allowance claimed.

3. A special report should be submitted to the Head of PRI on the lapses, if any, noticed on the part of the Controlling Officer who has countersigned the T.A. Bills.

### **Stores and Stock Accounts**

1. The stock accounts to be maintained by PRIs can relate to –

- (i) Articles procured for consumption of office;
- (ii) Articles retained permanently for official use;
- (iii) Plant and machinery;
- (iv) Equipment's; and
- (v) Articles procured for distribution among beneficiaries of schemes etc.

2. The main aim of audit of stores and stock accounts should be to ensure that the relevant provisions of the Stores Manual and Departmental Codes, Manuals and regulations regarding purchase, receipt and issue, consumption, custody, condemnation, sale and stock taking of stores, etc., as made applicable to PRIs are being properly followed.

3. The transactions relating to purchase, receipt and issue, and sale of stores relating to the selected month / months should be checked in detail apart from (a) a general review of all the transactions for the period covered by audit and (b) ensuring compliance with the other rules relating to stores accounts (e.g. custody, stores verification, etc.).

**PURCHASE OF STORES:** - The following points should be seen:-

- (i) Purchases are properly sanctioned authorised and are made economically and necessity for the purchase is established;
- (ii) When purchasing from contractors, an open competitive tender system is adopted;
- (iii) The purchase is made from the lowest tenderer;
- (iv) In case the lowest offer is not accepted, reasons are recorded for rejecting it and for accepting the higher tender;
- (v) Before making payment, certificates of satisfactory quality and correct quantity of supplies and also prescribed certificates in respect of Sales Tax are recorded on the bills by the officers concerned;
- (vi) When advance payments are made in special cases with proper sanction prior to receipt of stores, proper safeguards have been taken to protect the interests of PRI and the advance is adjusted only after ensuring the correctness of quality, specifications and quantity of stores received;
- (vii) Purchase orders have not been split up to avoid the necessity of obtaining the sanction of higher authority, taking into account the total amount of the different orders for the same article issued on the same day or at short intervals;

(viii) Rates paid for supplies agree with those shown in the contract or agreement entered into for the supply;

(ix) Conditions, if any, stipulated in the contract or supply order are fulfilled by the supplier before the bill is passed for payment;

(x) Purchases have not been unnecessarily made merely to avoid lapse or surrender of budget allotments and items are actually utilised for the specified purposes;

(xi) Purchase of a particular item of stores is justified with reference to the existing stock position of that item and its probable consumption or use in the near future, as the activities of the institution would indicate and excessive accumulations are avoided.

**STOCK INVENTORIES:** - It should be verified that the inventory in an office is commensurate with its requirements and there is no unnecessary accumulation of stores. Cases where stock balances of articles are heavy and far in excess of the normal consumption or requirements for a reasonable period should be looked into to find out the reasons for the same.

**STOCK REGISTERS OR LEDGERS:-** It should be seen that:-

(i) The prescribed forms are used for keeping the stock accounts;

(ii) Balance as per the previous account has been correctly carried forward;

(iii) There is no evidence of tampering of any of the entries;

(iv) Receipts and issues are entered in the registers as and when the transactions occur;

(v) Items are issued at properly worked out rates approved by competent authorities and are utilised only for specified purposes;

(vi) Valuation of items taken to stock and accounting of issues have been done properly according to prescribed procedures;

(vii) Balances are correctly worked out;

(viii) all entries of transactions and balances are attested by a responsible officer;

(ix) Entry of receipt is supported by an invoice or supply bill and entry of issue by an indent or requisition approved by the Head of Office; and

(x) Proper acknowledgment of the recipient for stores issued is kept on record.

**PHYSICAL VERIFICATION OF STORES:-** Apart from verifying that procedure prescribed for stock verification is adequate and is duly observed, the following points should be seen in audit :-

(i) Physical verification of stores is done annually and ground balances are checked with the Book balances of all the items in stock.

(ii) The verification is done, as far as possible, by an officer who is not connected with the custody of stores or with the maintenance of stock accounts.

(iii) Results of stock verification are properly recorded by the Verifying Officer in the Stock Registers or Ledgers.

(iv) Discrepancies found on stock taking are promptly investigated and set right.

(v) Clear cases of shortages are pursued vigorously and their values made good from the persons responsible for the shortages and disciplinary action is initiated against the persons concerned for shortages and discrepancies, wherever such action is warranted.

(vi) Measures are taken to survey, segregate and to dispose of old, unserviceable, surplus and obsolete stores suitably to the best advantage of the institution.

(vii) When value accounts of stores are maintained, the total of the value account tallies with the balance arrived at in the general accounts and the numerical balance of materials is tallied with the total value balances in the accounts at the rates applicable to different classes of stores; and

(viii) Profits or losses resulting from sales or due to revaluation, stock taking or other causes are promptly adjusted in accounts and the relevant rules have been properly followed in this connection.

**SALE OF STORES:-** It should be seen that:-

(i) Stores are sold only with the prior approval of the competent authority;

(ii) Sale price of an article is fixed with reasonable accuracy;

(iii) Selling rates are reviewed periodically and revised, if necessary, after comparison with the market rates;

(iv) Survey Report is approved by the competent authority before unserviceable stores are sold; and

(v) When stores are sold by public auction, there are documents to prove that sufficient publicity had been given notifying the sale that auction was conducted properly, that they have been sold to the highest bidder, and that auction records have not been tampered with.

**IDLE MACHINERY:-** The following points should be seen while examining why any machinery is idle:-

(i) Date of purchase or receipt of the machinery and its original cost.

(ii) The period for which it is idle and the reasons therefor and whether the defects have appeared during the guarantee period offered by the suppliers.

(iii) The estimated cost of major or minor repairs required to make it serviceable.

(iv) Reasons for not taking up repairs promptly.

(v) Expenditure already incurred on repairs and replacements since the date of its acquisition.

(vi) Expenditure incurred on idle crew during the period of idleness of machinery, if services of such crew have not been utilised elsewhere.

(vii) If the machinery were absolutely needed for the day to day working of the office, what alternative arrangements have been made in the absence of the machinery and at what cost.

(viii) If the machinery has outlined its utility or if the estimated cost of repairs is found to be too high, whether it would not be prudent to dispose of it, after technical investigation and after condemnation by the competent authority.

### **Register of Advances to Employees**

**1.** Audit has to ensure that -

(a) All types of advances made to employees are classified as advances under correct heads of account and not to final heads of account;

(b) Adjustments of advances are properly accounted for; and

(c) Advances outstanding at the end of year are reflected in the annual accounts.

2. It should be seen in audit that in respect of festival advances and advances for purchase of conveyance, house construction etc., recovery of instalments is more or less regular and that in respect of travelling allowance advance, adjustment bills are obtained immediately after the tour or transfer is over.

3. It should be seen in audit whether the prescribed rules and orders regulating the purpose, eligibility, documentation leading to the sanction of advances, scrutiny, sanction, quantum, levy of interest / penal interest, disbursements of installments, repayments and modalities of recovery, watching of recoveries etc., have been properly followed by the officers dealing with advances and related transactions.

4. Audit should also ensure that procedures prescribed for pledging / mortgaging of properties purchased (movable or immovable) or built out of advances granted to employees have been correctly followed and such documents being valuable documents are entered in a Register of Valuables and kept in safe custody. These documents should be released and returned to the employees only after the advance along with interest has been fully repaid as evidenced from the Advance Register. Till then, the Head of Office should periodically verify the physical existence of these documents and record a certificate to that effect in the Register of Valuables. Special care should be taken to establish that the documents submitted and pledged are authentic and that the PRI authorities take all precautions to verify their genuineness by suitable cross verifications.

5. The Register of Advances should be checked to see that entries therein are made promptly with attestation by the authorised officer, there is no omission to effect recoveries of principal and interest as per rules, balances are regularly struck, outstanding balances at the end of each month and year as per the Register tally with corresponding figures appearing in the monthly and annual accounts respectively.

6. Audit should also see that internal check and control over advances and their recoveries are quite adequate. In particular it should be seen in audit that :-

(i) The advance was for meeting immediate disbursement and limited to anticipated expenditure;

(ii) Advance is duly authorised by competent authority;

(iii) Proper record of such advances is kept and recovery / adjustment is watched through it;

(iv) Unutilised amount has been promptly refunded;

(v) Recovery of installments is regular in all cases; and

(vi) If any purchases for office use have been made out of advances which were duly authorised by competent authority and such items have properly been taken to stock.

### **Probing of Irregularities**

In the course of local audit of the initial records of any office a number of irregularities may come to notice. Most of them may, prima facie, appear to be of a minor or routine in nature but at least a few of them are likely to conceal defalcations or frauds. All such irregularities should, therefore, be scrutinised in detail and with great care to ensure that they have not led to any frauds.

## **AUDIT OF TRANSACTIONS - ESTABLISHMENT**

**Service Books and Leave Accounts** - During Audit, 25% of Service Books of the officials should be checked in an office which is audited annually, 50% in an office audited once in 2

years and 100% in an office audited once in 3-4 years. However, the audit party should check Service Books of all officials who are to retire in the next 12-18 months.

**Service Books:** The following points should be covered during check of Service Books- (i) They are maintained with the leave account, for every official in the prescribed form and it is complete in all respects and kept up to date.

(ii) The posts are created by the authorities competent to create those posts and are in the prescribed scales and the appointments made are as per prescribed procedures.

(iii) Entries of all events in the official career of the official (such as date of appointment, promotion / reversion, suspension / reinstatement, grant / stoppage of increment, punishment, if any, affecting service qualifying for leave or pension, commencement / completion of probation, confirmation, deputation to other offices, retirement, etc.) are made in his service book and attested by the authorised officer duly giving reference to sanction order or such other relevant authority and there are no missing links.

(iv) Service Book contains a certificate of annual verification of service with reference to acquittance rolls and other records.

(v) No alteration of the date of birth of the official is made in contravention of the relevant rules and without sanction of the competent authority.

(vi) Entries in the first page are attested every five years.

(vii) Option, if any, regarding revised scale / pension rules / leave rules, etc., exercised by the official, the nomination to DCRG, GPF, etc., are recorded / firmly pasted in the service books.

(viii) Entries in the pay columns of the service books agree with the pay actually drawn as per the office copies of pay bills and paid as per the acquittance rolls for the months selected for detailed check.

(ix) Officials are not retained beyond the date of superannuation, except under the orders of Government or competent authority.

(x) The regulation of increments, fixation of pay due to revision of pay rules, promotion, etc., are according to the prescribed rules and orders.

(xi) None of the entries in the Service Book is tampered with.

NOTE:- If a doubt arises regarding the authenticity of any entry, the original document quoted in such an entry should be called for and the genuineness of the entry verified with reference to that document.

**Leave Accounts:** The points to be seen are as follows:-

(i) The nature and extent of leave sanctioned is correctly due and admissible to the official under the leave rules;

(ii) Leave account has been properly posted and closed soon after the incumbent returns to duty from leave and every entry has been duly attested;

(iii) Orders of the leave sanctioning authority have been recorded in the body of the service book, giving reference to memo no., date, etc.;

(iv) Leave at credit has been correctly worked out in accordance with the rules and leave account revised wherever necessary with reference to orders regarding completion of probation, confirmation, etc.;



(v) Fact of issue of certificate under the relevant provisions of the leave rules in respect of leave sanctioned during the officiating service is recorded in cases where the period of leave is counted as service for increment under these rules;

(vi) Subsidiary leave accounts have been maintained wherever necessary and debits to such accounts have been correctly made;

(vii) Excess leave sanctioned or excess leave salary drawn by mistake and discovered later has been rectified promptly

(viii) Benefit of encashment of leave wherever allowed is correctly admissible, the order number, block period, etc., are recorded in the body of the service book, and the leave availed / surrendered is correctly debited to leave account.

**Audit of Pensions** -1. In PRIs where a scheme of paying pension to their employees is in operation, audit has to ensure that the scheme has been properly formulated and approved by the competent authority. It should also be seen that detailed rules and procedures have been prescribed for meeting the pensionary liabilities, for building up pension papers, for processing them, for authorising payments, for watching payments against authorisations, for regulating payments in cases of death etc., and for maintaining requisite registers for these purposes and other allied matters.

2. In Audit it should be seen that qualifying conditions prescribed in the Rules for grant of pension and gratuity are fulfilled and that amounts of pension and gratuity sanctioned and drawn are correct and in accordance with the relevant Rules.

3. Authorisations issued by the Accounting Authority of PRI for drawing pensionary benefits should be checked in Audit with reference to documents such as Service Book, application form with Joint photo, slips containing specimen signatures and identification marks duly attested by a Gazetted Officer, statement of service, leave account etc., (as prescribed in the Pension Rules), available in the pension files. In cases where the Service Book is lost or service cannot be wholly verified from the Service Book it should be seen that the procedure laid down in the relevant provisions of Pension Rules governing such cases have been followed properly.

## **AUDIT OF TRANSACTIONS**

### **TENDERS AND CONTRACTS –**

1. During Audit, it should be verified that the prescribed rules, regulations and orders regarding Notices inviting tenders and contract agreements to be entered into for supply of stores or execution of works are scrupulously followed by PRI authorities.

2. The officer in charge of the Party should examine original tenders and compare them with the comparative statement and the agreement finally accepted. Cases of alteration of figures, over writings and other unauthorised corrections of tendered rates or other errors in the original tenders should be investigated in detail.

3. The more important points which should be covered in the check of tenders and contracts are indicated below:-

(i) Tenders are invited in the most open and public manner after giving adequate publicity and time for submitting tenders.

(ii) Tenders have been received in sealed covers in the forms prescribed.

(iii) Tenders have been opened on the notified date and bear the dated initials of the officer opening them.

- (iv) Rates quoted in the tenders are not over-written or changed without the attestation by the tenderer and have been correctly transcribed in the comparative statement.
- (v) The lowest tender has been determined by working out the cost of all items of supplies to be consumed or work to be done and not merely by visual comparison of the tender rates without reference to cost of supplies or work involved.
- (vi) Comparative statements have been correctly prepared and checked and approved by the proper authority and contains his orders about the tender accepted. Satisfactory reasons are recorded for accepting a tender other than the lowest.
- (vii) A complete and regular stock account of receipt and consumption of blank tender forms has been kept.
- (viii) Sale proceeds of tender forms have been correctly accounted for and credited to revenue.
- (ix) Correct and complete descriptions and specifications of materials required, without reference to the manufacturer, are indicated in the tender notices.
- (x) Contract agreements are executed in the prescribed forms and there is no room for any ambiguity or misconstruction in any of the general or special conditions included therein.
- (xi) Suitable securities as prescribed have been taken from the contractor for ensuring the due fulfillment of the contract and adequate protection for levying penalties in the event of breach of contract.
- (xii) Contracts are sanctioned by the competent authority and the terms once entered into are not varied without special and proper sanction.
- (xiii) Agreements for supply of stores generally provide that payment will not be made until the stores have been received and examined and contain clauses regarding inspection of stores, date and place of delivery, dispatch instructions, name of consignee, etc.
- (xiv) Clauses regarding payment of sales tax, excise duty, etc., are clear and specific and are in accordance with the tax laws and rules concerned.
- (xv) In cases where a formal written contract is not made, the supply or work order is not given without at least a written undertaking as to price or rate at which payment is to be made for stores to be supplied or work to be executed.

4. In addition to examining the tender procedures followed, and finalisation of contract as per rules and allied matters, the following points should also be seen in audit :-

- (i) The contract agreement and all the connected documents are in the prescribed forms applicable to the contract work and are complete in all respects.
- (ii) Each page of the agreement and each enclosure thereto is signed by the contractor and the Engineer.
- (iii) There are no blanks or overwriting in any page and all corrections, amendments, additions, alterations and deletions have been attested by the contractor as well as the Engineer.
- (iv) Special conditions, if any, (i.e., other than those found in the printed forms) included in the contract are (a) clearly spelt out without giving room for any ambiguity; and (b) approved by competent authorities if they are of an unusual nature or if they confer special benefits (not normally contemplated in similar cases) on the contractor.

(v) If it is felt that unintended benefits are likely to accrue to the contractor or that interests of the PRI would not be sufficiently safeguarded as a consequence of incorporation of some special conditions or dilution of the normal terms and conditions of contract, the matter should at once be taken up with the higher authorities.

(vi) Deviations from contracts are regularised by competent authorities.

(vii) Payments outside the strict terms of the contract or in excess of contract rates are not made without prior approval of competent financial authority.

(viii) If it is found that prevailing market rates are considerably less than those stipulated in standing Rate Contracts, if any, valid for one year or more, such variations should be brought to the notice of the competent authority for remedial action.

(ix) The contract includes a specific clause to ensure levying of penalty for delay in supply of material or execution of work as well as risk clause for non-supply of material or non-completion of work.

### **AUDIT OF RECEIPTS**

**Revenue Receipts** – 1. Audit should ensure that regulations and procedures framed by competent authorities regarding revenue receipts of PRIs such as rates, taxes, tolls, cesses, fees, rents, fines, surcharge on stamp duty, etc., octroi, water rates, auction of ponds / tanks, interest on bank balances, sale / auction of property, stores and stock, contributions, etc., are followed by the staff and officers of PRIs. It should be verified that the sums due are correctly assessed in accordance with prescribed rules and orders are regularly recovered and checked against demand and sums received are duly brought to credit in accounts.

2. The following points are to be covered during audit of receipts :

(i) Necessary data and relevant particulars for the computation of demand at the prescribed rates and refund are collected and utilised properly.

(ii) Demands are raised promptly and regularly on taxpayers in the manner prescribed. (iii) Demand collection and refunds are regularly accounted for.

(iv) Accounting and allocation of collections are correctly done and they are credited to proper account as prescribed.

(v) Proper safeguards exist to ensure that there is no omission or negligence to levy or collect taxes or to issue refunds.

(vi) Claims of taxpayers are pursued with due diligence and are not abandoned or reduced except with adequate justification and proper authority.

(vii) Cheques received in payment of dues to PRIs are not retained for long periods lest their currency should expire necessitating initiation of fresh steps to effect recovery of dues.

(viii) There is no scope for double refunds, fraudulent or forged refund orders or other losses of revenue through fraud, default or mistakes; or deliberate omissions to enforce recovery, if there are such cases they are promptly brought to light and investigated. These aspects should be specially looked into while checking cases of revenues realised occasionally e.g. fees for temporary licenses, auction sales of PRI properties etc.

(ix) Proper registers and records relating to revenue receipts such as Assessment records in each type of cases, Licence Forms, Tender Forms, Demand Notices, Receipt Books, Remittance Challans, Demand Collection and Balance Registers, papers relating to auction sales, papers justifying refunds, orders of competent authority regarding remissions and refunds and correct accounting of all transactions are maintained as prescribed.

**Audit of Receipt of Grants** -1. Grants may be received by a Panchayati Raj Institution (PRI) either for recurring maintenance expenditure or for acquisition of certain capital assets of nonrecurring nature. In all cases accounts must be so drawn as to facilitate not only identification of source and object of grant, but also to indicate the purpose for which these grants have been utilised.

2. In audit, it is necessary to look into the following points :-

- (i) The grant payable for each purpose has been correctly assessed in accordance with the guidelines;
  - (ii) Maintenance grant is limited to the net deficit of the expenditure in accordance with the scales laid down.
  - (iii) Unutilised grants are refunded or duly taken into account before determining subsequent grants, as prescribed.
  - (iv) Conditions attached to the grants are duly fulfilled.
  - (v) The assets acquired out of grants are continued to be utilised for the intended purpose/ purposes.
  - (vi) The income expected to be realised by assets acquired is actually being realised and to that extent the dependence for maintenance has been reduced without increase in liability.
3. Audit should also review the outstanding dues and suggest to the authorities any feasible means for their recovery. Whenever dues appear to be irrecoverable orders for their waiver and adjustment should be sought.

#### **SOCIAL AUDIT & MISCELLANEOUS AUDITS**

**Social Audit** – 1. The concept of social audit has been accepted as powerful way of securing accountability. Social audit is a security and analysis of working of a public utility visà-vis its social relevance from the perspective of the vast majority of the people in the society in whose name and for whose cause the very institutional system is promoted and legitimised. In other words, it means an independent evaluation of the performance of the local bodies by the people.

2. The Ministry of Rural Development (MORD) has issued instructions, which stipulate that the Gram Sabha should be specifically empowered to conduct social audit, or collective audit by the Gram Sabha, into all public works and beneficiary oriented programmes implemented at the village level under various schemes of the MORD. These instructions also require that the completion certificate for all village level public works should be awarded by the Gram Sabha only after a conducting social audit of the works in question.

3. Wherever audit parties come across social audit reports, they should take into account the findings of such social audits and may point out the pending action to be taken on such reports. Also in case the social audit reports point out gross mismatch between the expenditure on village works and the actual work done/assets created, the audit report should recommended physical verification by an appropriate authority of the State Government.

4. Audit parties should call for social audit reports, along with minutes of the meeting wherever it is mandatory and see the following:-

- (i) Number of meetings prescribed & actually held and the quorum for the meeting. The cases where the participants raised doubts about the existence and quality of the work(s) may be examined in detail.

(ii) The labour and the material components (in some of the schemes wage material ratio is prescribed) and their break up were mentioned and full disclosures were made to the members.

(iii) Bills, voucher, muster rolls, Ucs, MBs and other documents were displayed for public scrutiny.

(iv) Appropriate action was taken on time where the reports point out mismatch between expenditure in village work and actual valuation of the work/assets created or cases where no assets were created. In such cases if no physical verification of the works has been done, the same may be recommended in the audit reports.

(v) Where the social audit is not mandatory, the party should call for the minutes of the Gram Sabha/ Ward Sabha and examine the cases of mismatch referred to in point (iv) above in detail.

**Loans raised by PRIs** – 1. When loans are raised by PRIs for execution of any specific activities or for any other purpose in accordance with the provisions of Panchayati Raj Act or Notifications issued thereunder, it should be seen in audit -

(i) The financial position of the PRI was such that it had to raise the loan up to the level raised;

(ii) The purpose for which loan is to be raised is determined and loan is utilised for that purpose;

(iii) Loan is not raised far ahead of the schedule or in excess of needs, resulting in diversion of loan for other purposes (for purchases or for investing);

(iv) Capacity of PRI to repay has been duly assessed with reference to source of income from which repayment is to be made and the source becomes actually available for the purpose;

(v) Repayments of loan and interest are not met by obtaining grants for the purpose, unless it is specifically authorised by the grant sanctioning authority;

(vi) The terms and conditions of the loan are clearly determined and a copy of document is available with the loanee;

(vii) Interest payable is correctly worked out and is duly indicated in accounts whether actually paid or not;

(viii) The loan is utilised for the specified purpose and any excess is duly refunded, if it is permissible;

(ix) A proper record of the loan is kept for watching timely repayment and the record is duly reviewed; and

(x) All matters relating to raising of loan, utilisation, finalisation of terms and conditions, position of repayment, etc., are duly brought to notice of the main governing body and other connected committees from time to time.

2. In auditing accounts of **Sinking Fund** created by a PRI under the relevant provisions of Act and Rules for the redemption of loans raised, within the periods prescribed, the following points should be verified :-

(a) A separate account is maintained.

(b) The Fund is sufficient to repay the principal and interest by the prescribed due date / dates.

(c) Credits to the Fund are made in installments regularly from the PRI funds debiting Revenue in accordance with the prescribed procedures.

(d) Payments from the Fund are made only for the purpose for which it is created.

(e) Accumulations in the Fund are invested in such securities as may be prescribed and such investments are sound.

(f) A Register for Sinking Fund is maintained, posted up to date and the balances as per the Register agree with account balances.

**3. Investment of Funds:** Where funds of PRIs as required under law or rules / regulations issued by the competent authority are to be invested in securities, it has to be seen in audit that:-

(i) The amount allocated is in accordance with rules governing the fund and is permitted where no surplus is left.

(ii) The fund is being accumulated in accordance with prescribed scales and not in excess of ceilings prescribed;

(iii) Investment is resorted to in accordance with rules with the specific sanction of the competent authority and allocated fund is not out of any loan raised for specific purposes.

(iv) The investment is duly authorised and conforms to the prescribed pattern and it does not result in any avoidable loss;

(v) A watch is kept on the realisation of interest and Interest realised is not appropriated to revenue unless it is out of general income, but is allowed to swell the fund balance only;

(vi) Accumulations in funds invested are duly matched with fund balances and where required, the shortfall in funds is duly made good;

(vii) Excess receipt of Government grant / loan or receipts in advance is not diverted towards investments; instead, they should be paid back to Government for release when necessity arises.

(viii) A Register of Investments is properly maintained in the form and manner prescribed by rules; and

(ix) Securities (Investment documents) are kept in safe custody and their existence checked periodically with Investment Register and certificate of verification is recorded in the Register.

### **PREPARATION OF REPORTS AND ALLIED MATTERS**

#### **Formats and Contents of Audit Reports:**

1. The Audit Report may be prepared in the following format:-

Part I (a) Names of President/s and Executive Officer/s of PRI who were in charge during the period covered by audit. (b) Names of members of Audit Party and their designations. (c) Dates of Audit. (d) Period covered during audit.

Part II Introductory.

Part III Comments on Accounts.

Part IV Comments on Transactions.

2. Important particulars about the PRI inspected may be given in **Part II** - Introductory of the Report. The more important particulars may be given in the form of a statement to be enclosed to the report.

3. Part III of the Report may be arranged in the following manner:

- (i) Summary of Accounts for the year under audit.
- (ii) Forms of accounts.
- (iii) Comments on Accounts and subsidiary ledgers including misappropriations, if any, reflected in accounts which are normally shown under suspense accounts.
- (iv) Budgetary control.
- (v) Reconciliation.
- (vi) Internal audit.

4. In the case of audits where certification of annual accounts is involved, Part III of the Audit Report will have to be referred to in the audit certificate on the accounts audited.

5. Comments on Accounts are expected to contain the following points, though these are not to be considered as exhaustive :-

- (i) All points that vitiate the certification of accounts.
- (ii) Irregularities that come to notice while exercising checks on accounts.
- (iii) Inaccuracies in accounts and misclassification of transactions.
- (iv) Effectiveness of Budgetary control by officers of PRI – Expenditure incurred without or in excess of allotment, savings of grants.
- (v) Absence or inadequacy of internal control and checks which reduce the degree of reliability of accounts, non-maintenance of basic records, delay in recovery or adjustment of advances etc.
- (vi) Omission to take remedial action on persistent irregularities.

6. **Part IV of the Report** containing results of audit of transactions may be arranged in the following manner: - Section A (a) Introductory (b) Outstanding objections of previous reports in brief. (c) Schedule of persistent irregularities.

Section B-1 Consisting of major irregularities. Section B- 2 Consisting of irregularities which though not major, are to be brought to the notice of higher authorities and are required to be followed up by audit. Section C Test Audit Note, containing minor irregularities to which a Schedule of Points Settled on the Spot should be attached. Procedural irregularities, for which the head of the institution has held out assurances about following correct procedure in future should be noted in the schedule.

7. Some of the points that can be included in **Section B-1 of Part IV of the Report** (Comments on Transactions) are as follows:

- (i) Cases of avoidable or infructuous expenditure, overpayments, losses, wastages, frauds, embezzlements or misappropriation of funds.
- (ii) Inordinate delays and serious irregularities in execution of works and schemes resulting in denial of benefits to intended beneficiaries.
- (iii) Non-fulfillment of objectives of any scheme or assistance.
- (iv) Serious lapses in procedures followed in respect of tenders and contracts.

(v) Leakages of revenue.

(vi) Serious irregularities in stock and stores transactions.

**8. Section B-2 of Part IV of the Report** (Comments on Transactions) may include the following points:-

(i) Points of lesser importance covering items (i) to (vi) at paragraph 7 above.

(ii) Utilisation of assistance by Government. These would cover underutilisation, diversion to purposes other than those indicated in sanctions, excess release or late receipt of grant or assistance.

(iii) Non-availability of vouchers and subsidiary registers.

(iv) Incompleteness of certain registers and records. (v) Overpayments which are not of considerable magnitude.

(vi) Irregularities in sanction, procedures, etc., which need to be set right under appropriate sanction or recovery.

(vii) Non-supply or non-maintenance of certain returns and defects in observance of prescribed procedures.

**9. Section C – Test Audit Note**, of the Report may include points of minor importance which can be set right by the head of the office himself without reference to higher authorities. Test Audit Note and Schedule of Points Settled on the Spot, should be prepared in duplicate and duplicate copies thereof enclosed to draft Audit Report. Originals of these documents should be issued to the head of office audited, over the signature of the officer in charge of audit party. Acknowledgement of the head of the office for having received these documents should be obtained on the duplicate copy thereof to be sent along with the draft Audit Report.

10. The Audit Report comprising the documents and comments mentioned above should be drafted invariably by the supervising officer of the audit party. Before finalising the draft report, replies of the PRI must be duly taken into account and incorporated. If, however, facts stated in any paragraph are questioned, their correctness should be got rechecked before mention and in case replies are not acceptable, reasons as to why replies are not acceptable should be clearly specified in the Report.

11. The officer in charge of the Audit party should discuss the outstanding points from previous Audit Reports with the head of the office and make attempts to settle as many points as possible. Omissions / defects pointed out in the earlier reports which remain unrectified for many years should be specially discussed with the head of the office and should be brought out prominently in the Audit Report.

#### **Dispatch of finalised Audit Report**

1. Audit Report containing comments on accounts as well as transactions as finalised, should be issued to PRIs. A copy of the report should be forwarded to the next higher authority / Government also, as stipulated in the State Act and / or Rules issued thereunder.

2. In every case, the certificate of audit and the Audit Report must be signed by the Head of the Audit Office concerned. Where no comments are made on accounts in the Audit Report, the words, “subject to the observations in Part III of the appended Audit Report” in the certificate should be deleted. It is also to be seen that the finalised Audit Report and audit certificate are issued within the time schedule agreed to in consultation with Government and in any case within a period of not more than 4-5 months from the date the accounts were



made available for audit. Further, if the audit report is required to be forwarded to Government, it is advisable to indicate the following points in the forwarding letter:- (i) Special points in the audit report which would require attention of Government also; and (ii) Reasons that contributed to delay in certification, if delay had occurred beyond the prescribed time limit.

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**List of Glossary**

AMG	Audit Management Group
A&E	Accounts & Entitlement
AAO	Assistant Audit Officer
AE	Assistant Engineer
AG	Accountant General
AQMF	Audit Quality Management Framework
ASSOSAI	Asian Organization of Supreme Audit Institutions
BCR	Benefit cost ratio
BFR	Bihar Financial Rules
BO	Branch Officer
BOQ	Bill of Quantities
BPWD Code	Bihar Public Works Department Code
CAP/CASS	Central Audit Party/Central Audit Supporting System
CDAC	Centre of Development of Advance Computing
CE	Chief Engineer
CEO	Chief Executive Officer
Challans	Challan is an official form or other kind of document, piece of paperwork, citation, etc. It is a way of crediting the money to one's bank account through a form, generally used in India as a receipt for payment or delivery.
Compliance Audit	Compliance audit is an assessment as to whether the provisions of the applicable laws, rules and regulations made there under and various orders and instructions issued by the competent authority are being complied with
Concurrent Audit	Concurrent audit is a systematic and timely examination of financial transactions on a regular basis to ensure accuracy, authenticity, compliance with procedures and guidelines. The emphasis under concurrent audit is not on test checking but on substantial checking of transactions
COPU	Committee on Public Undertakings
CPWA	Central Public Work Account
D.O letter	Demi Official Letter
DA	Dearness Allowance
DDO	Drawing and Disbursing Officer
DDO	Drawing and Disbursing Officers

Desk review	A study of the guard file, data analysis to determine the direction/focus of audit and to identify records/transactions that are potentially error prone for verification in the field. Ideally this can be synchronized with the quarterly scheduling of audit, when audit of similarly placed entities could be grouped/scheduled simultaneously (e.g. billing units/schools/PWD units etc.), so that focus areas/common focus areas could be defined and pursued in audit. Use of data analytics at this carried out for gaining an understanding of the entity to be audited and its focus areas, in certain cases, based on the context – size, complexity, scale of audit, desk review as a distinct procedure may not be warranted. In such cases, specific relaxation should be obtained from the concerned Group Officer, duly explaining the circumstances and recording/documenting the reasons for the relaxation, before commencing the audit.
DIR	Draft Inspection Report
DLFA	Director of Local Fund Audit
DP	Draft Para
DPC Act	(Duty, Powers and Conditions of Services) Act, 1971
DPR	Detailed Project Report
DRDA	District Rural Development Agency
ECPA	Efficiency Cum Performance Audit
EE	Executive Engineer
EIC	Engineer-in-Charge
EO	Executive Order
FAW	Financial Audit Wing
Fs(3)	Functions, Functionaries And Funds
G.P.F.	General Provident Fund
GFR	Government Financial Rules
GP	Gram Panchayat
GST	Goods and Service Tax
Guard file	A Standing Guard File consists of all decisions on a particular subject collected at one place. In order to prepare such files, whenever an important decision is taken, a copy should be endorsed to a Guard file on that subject
IA	Internal Audit
IA&AD	Indian Audit & Accounts Service
inter-alia	Among other things
INTOSAI	International Organization of Supreme Audit Institutions
IPAI	Institute of Public Auditors of India
IR	Inspection Report
ISSAI	International Standards of Supreme Audit Institutions
JE	Junior Engineer

JFR	Jharkhand Financial Rules
JPWD Code	Jharkhand Public Works Department Code
LAD	Local Audit Department
LTC	Leave Travel Concession
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Act
MIS	Management Information Systems
MORD	The Ministry of Rural Development
MSO	Manual of Standing Orders
NGO	Non-Government Organisation
NIT	Notice Inviting Tenders
NRLM	National Rural Livelihood Mission
NSSO	National Sample Survey Organisation
OAD	Outside Audit Department
OPTIMA	A condition, degree, amount or compromise that produces the best possible result
P.W.D	Public Works Department
PA/TA/DP	Draft Paragraph/Performance Audit/Theme based Audit
PAC	Public Accounts Committee
PAG/DG/AG/PD	Principal Accountant General/Director General/Accountant General/Principal Director
Pani Panchayats	A body of beneficiaries of water tank formed as per instruction No. 2250 dated 24.8.2011 of Agriculture and Sugarcane Development Department, GoJ. All the proceeds from the water tank are to be deposited in the bank account opened for the purpose which was being operated by joint signatures of Treasurer and Secretary of Pani Panchayat without any control of GP.
PAO	Pay and Accounts Officer
PPG Wing	Professional Practices Group Wing
PPR	Permanent Programme Register
PRD	Public Relations Department
PRIs	Panchayati Raj Institutions
PS	Panchayat Samiti
RDD	Rural Development Department
RTI	Right to information
RVP	Rivers Valley Project
RWA	Rural Works Account

S.R.72	Power has been delegated to head of the department in the Indian Audit and Accounts Department in relaxation of S.R.72 to sanction daily allowances to the member of inspecting staff on Sunday and holidays, when they have to stay while on tour at a place other than the place of duty, subject to the condition that the delegated power is exercised only in cases where it is certified that the government servant concerned had to stay at a place other than the place of duty due to non-availability of boarding and lodging facilities at the latter place and not to suit his private convenience. G.I.M.F letter no. F.3(2)-E-G.1/66 dated 29-9-66
SAI	Supreme Audit Institution
SE	Superintending Engineer
SMU	Supreme Management Unit
SoR	Schedules of Rates
Sr.AO	Senior Audit Officer
Sr.DAG	Senior Deputy Accountant General
Sub-judice	When something is sub judice, it is the subject of a trial in a court of law
TA	Travelling/Transport Allowance
VLC	Voucher Level Computerisation
VWSC	Village Water and Sanitation Committee
WAMIS	Works and Accounts Management Information System
WRD	Water Resources Department
ZP	Zila Parishad