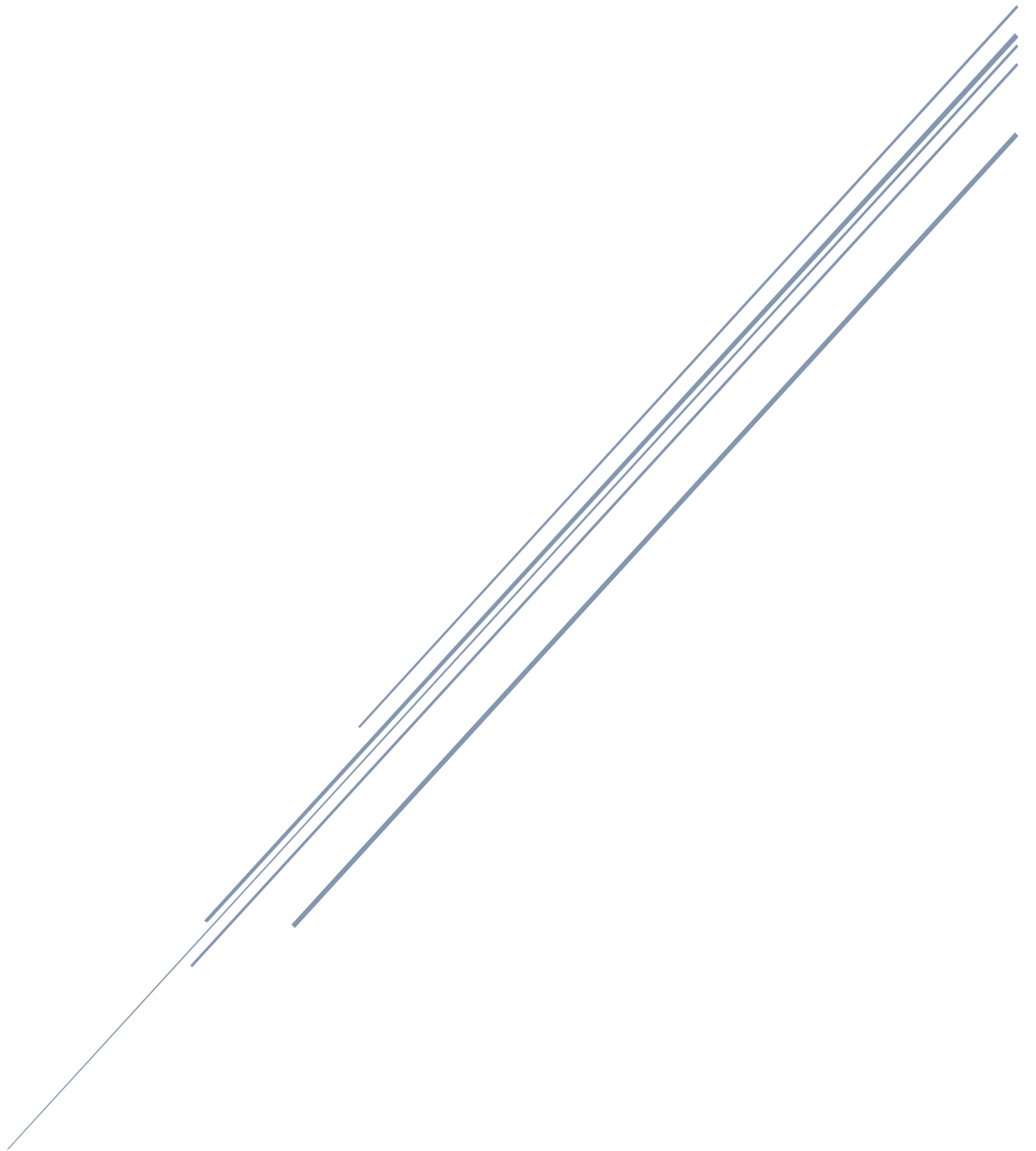


INTERNAL TEST AUDIT MANUAL

O/o DIRECTOR GENERAL OF AUDIT, DEFENCE SERVICES,
NEW DELHI



Preface

In pursuance of my responsibilities to establish an effective internal test audit mechanism I present the first edition of Internal Test Audit Manual to assist member of the organisation in effective discharge of their duties. Internal auditing is an independent appraisal function established within an organisation to evaluate and examine its activities.

This manual seeks to bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The objective of this manual is to guide internal auditor comprehensively through all the stages of internal auditing viz. Risk Assessment, Planning and Procedure, Documentation, Reporting and Follow Up.

All the sections in the organisation have been divided in two groups viz. Administrative Sections and Audit Group Sections for the purpose of Internal Test Audit. Check Lists included in this manual for different sections are only illustrative in nature and not exhaustive. These check lists are not meant for a substitute for practical experience and knowledge of the internal auditor.

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Place: New Delhi

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Chapter 1

Introduction

Internal Audit

- 1.1. This Manual seeks to lay down the basic framework and illustrative guidance for the internal audit function in respect of Office of Director General of Audit, Defence Services, New Delhi and field offices there under in. This manual takes Model Internal Audit Manual of CAG, C&AG MSO(Audit) and Manual of Audit Department, Defence Services as its guiding beacon. The field offices follow the Manual and other applicable Manuals, Codes, Rules and instructions.
- 1.2. According to the Institute of Internal Auditors, USA (IIA), internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.3. The Head of Department (HoD) i.e. Director General of Audit, Defence Services is responsible for establishing internal audit mechanism in the office.
- 1.4. In the Indian Audit and Accounts Department, the internal audit function is exercised by an independent section in each field office generally termed as 'Internal Test Audit (ITA) Section and sometimes termed as 'Quality Assurance Section' (QAS). In this Internal Audit Manual for the purpose of uniformity in nomenclature, this section is hereinafter referred to as Internal Test Audit (ITA) Section. The term 'Internal Auditor' used in the present Manual refers to all personnel carrying internal audit work, irrespective of their designation or position.

Nature and scope of internal audit

- 1.5. The ITA activity evaluates and contributes to the improvement of risk management, control and governance systems in an organization. The term 'Management' wherever used in the present Manual represents the Director General, Group Officers and Branch Officers holding independent charge and directly reporting to the Director General, by whatever designation called.
- 1.6. The scope of internal auditing work encompasses a systematic, disciplined approach in evaluating and improving the adequacy and effectiveness of risk management, control and governance processes as also the quality of performance in carrying out assigned responsibilities. The purpose of evaluating the adequacy of the existing risk management, control and governance processes in an office is to provide reasonable assurance that these processes are functioning as intended and will enable the objectives and goals of the office to be met by providing recommendations for improving the operations of the office, in terms of both efficient and effective performance. The Director General should provide general direction as to the scope of work and the activities to be audited.

- 1.7.** In the context of a field office, the objectives, goals and processes are prescribed by the Headquarters Office (CAG), instructions of the Headquarters Office communicated from time to time and the Manuals of Standing Orders (MSOs) of the CAG and DGADS Departmental Manuals. These are supplemented by the instructions issued by or under the authority of the Director General.
- 1.8.** Broadly, management of a field office is responsible for the functioning of the office and accountability for its actions, conduct and performance to the Headquarters Office and other stakeholders. Specifically, the primary objectives of the overall management process are to achieve:
- Established objectives and goals for operations or programs, including those established by the CAG & DGADS.
 - Effective and efficient use of the office resources.
 - Relevant, reliable and credible operating information.
 - Safeguarding of the office assets.
 - Compliance with laws, rules, regulations and instructions of the Government, CAG and DGADS
 - Identification of risk exposures and use of effective strategies to control them.
- 1.9.** Internal auditors evaluate the whole management process of planning, organizing, directing and controlling to determine whether reasonable assurance exists that objectives and goals will be achieved.
- 1.10.** These internal auditing evaluations, in the aggregate, provide information to appraise the overall management process. All systems, processes, operations, functions and activities within the field office are subject to the internal auditors' evaluations. The comprehensive scope of work of internal auditing should provide reasonable assurance that management's
- Risk management system is effective.
 - System of internal control is effective and efficient.
 - Governance process is effective by establishing and preserving values, setting goals, monitoring activities and performance along with defining the measures of accountability.

Chapter 2

Standards of Internal Audit

- 2.1. Standards provide a framework for the internal auditing steps and procedures, with an aim to improve the degree of uniformity of internal auditing practices.
- 2.2. The Institute of Internal Auditors (IIA), USA has issued International standards for professional practice of internal auditing. The purpose of the standard is to:
 - Delineate basic principles that represent the practice of internal auditing as it should be.
 - Provide a framework for performing and promoting a broad range of value-added ITA activities
 - Establish the basis for the evaluation of internal audit performance
 - Foster improved organizational process and operations.

Chapter 3

Organisation & Staffing of Internal Test Audit Section

- 3.1. Chapter 24 of Section III of MSO (Audit - 2nd edition) deals with Internal Test Audit Section. According to this Chapter, it is a matter of great importance to verify whether the various processes of audit are being correctly followed by different sections of the Office. This responsibility is ordinarily entrusted to an independent ITA Section.
- 3.2. ITA Section has been formed on 27/09/2017 and operational since 03/10/2017 in office of the DGADS. However, sanctioned strength and Charter of duties of ITA section were approved on 18.01.2022.

Main Objectives of Internal Test Audit (ITA) Section

- 3.3. The main objective of ITA section is to test check the work done by various Branches and Sections of the DGADS with a view to ascertain the extent to which they are:
 - Following the prescribed procedural rules and regulations
 - Maintaining various registers that have been prescribed
 - Submitting various returns on due dates; and
 - Generally functioning efficiently.ITA section should be vested with the responsibility to assess and review the Internal Control System, quality assurance procedures and risk management procedures in the office. It should help the office to identify and evaluate significant exposure to risk and improve the risk management and control systems.
- 3.4. The ITA section should check the quality of audit conducted and comment specifically on this aspect in its reports so that suitable measures may be initiated to improve the quality of work, where necessary.

Charter of Duties of ITA Section

Charter of Duties of ITA section is given in Appendix to this manual.

Arrangements for ITA Section

- 3.5. The ITA Section shall consist of carefully handpicked personnel who, by their knowledge and experience, will be competent to scrutinize intelligently the work done in various sections of the office and can detect not only defects and irregularities but also suggest improvements in procedure. The size of the ITA Section shall be decided as per prescribed norms. The Section should be under the direct charge of the HoD, i.e., Director General. While the ITA Section will test check of the work of other sections, special problems, such as accumulated arrears of work may be referred to the Section by the Head of the Department, if he considers this necessary.
- 3.6. The ITA Section shall be headed by a Senior Audit Officer hereafter referred to as 'Internal Audit Officer' (IAO). The personnel of ITA Section would be from within the sanctioned strength of the Office in accordance with the instructions of Headquarters Office. The responsibilities of the ITA Section's Assistant Audit Officers (AAOs) and the IAO should be divided in such a manner that each of them may share the original work

instead of the IAO merely acting as the supervisory officer over the AAOs. The more important items of work may be taken direct by the IAO from the Auditors, while the routine and less important work may be taken by the AAOs from the Auditors.

- 3.7. ITA section should be sufficiently independent of the activities which it audits to enable audit personnel to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations. They should have no executive responsibilities
- 3.8. Accountability for the response to the advice and recommendations of ITA lies with the Officers of functional wings of the field Office. ITA advice and recommendations are without prejudice to the right of ITA to review the relevant policies, procedures and operations at a later date.

Organisational independence

- 3.9. ITA is primarily a service to and should report directly to the HoD. The ITA activity should be free from interference in determining the scope of internal auditing, performing work and communicating results.
- 3.10. The HoD should make appropriate arrangements for the routine provision and management of the budget and resources of ITA (including provision of human resources and office equipment like computers) without prejudice to the direct accountability of ITA to the HoD. These arrangements may also involve delegation of these responsibilities to the Group Officer in charge of Administration.
- 3.11. The Head of ITA should be graded with sufficient status to facilitate the effective discussion and negotiation of the results of internal audit work with Senior Officers in the office.

Functional Independence

- 3.12. The ITA activity should be independent. Internal auditors should be objective in performing their work. Individual auditors should have an impartial, unbiased attitude, characterized by integrity and an objective approach to work. They should avoid conflicts of interest. They should not allow external factors to compromise their professional judgement.

Impairments to Objectivity and Independence

- 3.13. Impairments to individual objectivity and organizational independence may include personal conflicts of interest, scope limitations, restrictions on access to records (including electronic records or information), personnel and properties and resource limitations (like providing funds, human resources, office equipment like computers).
- 3.14. Internal auditors should report to the HoD, in writing, any situations in which a conflict of interest or bias is present or may reasonably be inferred. The HoD should then reassign such auditors.

- 3.15.** A scope limitation is a restriction placed upon the ITA activity that precludes the audit activity from accomplishing its objectives and plans. Among other things, a scope limitation may restrict the:
- scope defined in the Manual governing the ITA activity or laid down by the HoD
 - ITA activity's access to records (including electronic records or information), personnel and physical properties relevant to the performance of engagements
 - approved assignment work schedule
 - performance of necessary audit procedures
 - approved staffing plan and budget.
- 3.16.** A scope limitation along with its potential effect should be informed in writing, to the HoD, for taking appropriate decision.
- 3.17.** Objectivity is presumed to be impaired when individual audit personnel review any activity or operations in which they have previously had functional responsibility or in which they have provided advice, until the expiry of adequate time (at least one year).
- 3.18.** Internal Auditors (including persons temporarily entrusted with ITA work) should not be assigned to work in areas where they have had functional responsibility or other involvement and where the Head of Internal Audit deems that this may impair their objectivity, until adequate period (at least one year) has elapsed. For instance, if an Internal Auditor previously worked in Budget section, before joining ITA section, he should not be entrusted with the work of verifying the functioning of the Budget section for the period of his tenure in Budget section and an additional period (at least one year). The HoD of the field office should develop appropriate guidelines for determining the duration of such periods.
- 3.19.** Long-term responsibility for the ITA of a particular aspect of an organisation can also affect independence. Assignment of ongoing ITA responsibilities should be rotated from time to time.
- 3.20.** Internal auditors should not assume operating responsibilities. If, at any point that assigned activities involve the assumption of operating authority, audit objectivity would be presumed to be impaired with respect to that activity.
- 3.21.** The internal auditor's objectivity is not adversely affected when the auditor recommends standards of control for systems or reviews procedures before they are implemented. The auditor's objectivity is considered to be impaired if the auditor himself designs, installs, drafts procedures for, or operates such systems.

Conflict of interest

- 3.22.** Conflict of interest may be actual or potential and includes not only previous executive or advisory responsibilities but also personal relationships with staff who have current executive responsibilities.
- 3.23.** The IAO should plan the allocation of audit work to minimise the risk of conflicts of interest.

- 3.24.** If independence or objectivity is impaired or is likely to be impaired, in fact or appearance, for whatever reason (including conflict of interest, bias or scope limitation), the details of such actual or potential impairment should be disclosed in writing to the HoD before undertaking further ITA work on the subject, for taking appropriation decision.
- 3.25.** The ITA Section should not function as a substitute for the Branch Officers and Group Officers through whom the HoD normally exercises control over his office. Instead, it should function as a tool to rectify the deficiencies on the spot by providing suitable guidance to staff and it should keep down the size of its inspection reports issued for subsequent action.
- 3.26.** The ITA Section should not be given original items of work. The internal auditors should not be entrusted with operating responsibilities. Special items of work may be referred by the HoD to this Section for advice. In such cases, the ITA Section will work as consultant and no audit related conclusions can be drawn. References to ITA Section for advice should be made only with the approval of the HoD.

Chapter 4

Risk Assessment in Planning

Role of Risk

- 4.1. The Head of ITA should establish risk-based plans to determine the priorities of the ITA activity, consistent with the goals of the office. The plan of engagements of ITA should be based on a risk assessment, undertaken at least annually. Inputs should be obtained from senior officers, for this purpose. As and when different risk factors are noticed, the initial risk assessment should be revised. The perception about risk factors may be shared across similar field offices and the views of other field offices can be taken into account for revisiting the initial risk assessment.
- 4.2. The ITA activity should assist the Office by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems.
- 4.3. The ITA activity should monitor and evaluate the effectiveness of the Office's risk management system.
- 4.4. The ITA activity should assist the Office in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. Based on the results of the risk assessment, the ITA activity should evaluate the adequacy and effectiveness of controls encompassing the governance, operations and information systems in the Office. This should include:
 - Reliability and integrity of financial and operational information.
 - Effectiveness and efficiency of operations.
 - safeguarding of assets; and
 - Compliance with laws, regulations and contracts

Illustrative Risk Factors

- 4.5. For the sake of example, some of the factors influencing 'Risk' are given below. The list is purely illustrative and should be supplemented by the ITA section.
 - The characteristics of the function or functional wing (like for example, errors are more likely to occur where the governing conditions, processes and calculations are complex)
 - The personnel doing the work (for example, their competence or whether the likelihood of errors might have been increased by other factors, such as time pressures) ·
 - The history of errors in the function or functional wing ·
 - Whether there is any motive to manipulate the figures (for example, for presentational reasons, perhaps to avoid showing poor performance for ranking of an office or a functional area)
 - Volume and size of transactions or cases handled ·
 - Previous history of non-co-operation in producing records to internal audit
 - The risk of fraud occurring

- The quantum of exposure to public and dealings with public (like General Provident Fund (GPF) and Pension work)
- Shortage of staff in a functional wing
- Introduction of computers or new working procedure or software
- History of complaints received from Headquarters, Ministry, MLAs/MPs, members of public, etc.
- The quantum of arrears of work as seen from the progress reports of various sections and wings of the office
- Absence of proper system of maintenance of files and records
- Allegation of improper conduct by audit personnel
- Adverse observations by courts of law or tribunals

Chapter 5

Audit Evidence and Techniques

Source of Evidence

- 5.1. The principal source of evidence for audit conclusions will be the records of the office. It is the primary duty of ITA to ensure that the audit conclusions drawn about the various sections, activities, transactions, etc. are based on sufficient, competent and relevant evidence. Evidence must be planned, gathered and analysed before any conclusion can be reached. This may be gathered by:
- Physical observation, including joint inspection by the officials of ITA and the functional wings, the resultant observations being signed by both as confirmation of performance or achievements;
 - Reperformance of accounting routines (e.g., checking computations)
 - Analysis of financial data and interrelationships or comparison between elements of relevant information.
 - Vouching, i.e., checking of documents in support of transactions.
 - Critical scrutiny of documents (e.g., reviewing data to identify unusual items).
 - Confirmation and enquiry.
 - Evaluation of the quality of internal control mechanisms
 - Interviews with officers of functional wings; and
 - Computer assisted audit techniques (CAATs).

Reliable evidence

- 5.2. Reliable audit evidence is evidence that is impartial. The reliability of audit evidence is dependent upon its nature, source and the method used to obtain it. Sometimes, alternative forms of evidence, sources and methods are available. The following guidelines may be noted regarding their relative reliability and the ITA party should seek to ensure that the most reliable sources and methods are employed within the time and cost constraints imposed upon the audit.
- Documentary evidence is more reliable than oral evidence.
 - Evidence, of which the auditor has direct personal knowledge, is the most reliable evidence.
 - Independent evidence obtained from external sources is more reliable than internal evidence (obtained from the section under check) if that evidence is truly independent and complete.
 - Visual evidence is highly reliable for confirming the existence of assets, but not their ownership or value.
 - Drawing conclusions solely through examining relationships between figures in the account (analytical review) is less reliable evidence.
 - Oral evidence must be considered as the least reliable. Whenever feasible, auditors should attempt to obtain documentary confirmation of oral evidence (e.g., agreed written records of interviews or meetings).
 - The auditor may gain increased assurance when audit evidence obtained from different sources is consistent.

Audit Techniques

- 5.3. Efficient ITA activity will require a range of techniques at its disposal. The range of audit techniques will include:-
- *Systematic Audit*: In which every aspect and stage of the audited subject is considered. It includes review of both the design and operation of controls.
 - *Compliance Audit*: Where there is pre-existing confidence that controls are well designed; but effective operation is a material issue, audit which test only for effective operation of controls can be appropriate.
 - *Key Control Testing*: A variation of compliance audits but clearly focused on a small number of material or key controls.
 - *Quality Assurance Review*: Reviewing the approach and competency of other reviewers rather than reviewing risks and controls; designed to form an opinion of the reliance which can be placed on the work of others.
 - *Systems development audit*: Phased review of developing plans and designs for new systems and processes aimed at identifying potential weaknesses in control if the plans and designs go ahead as they are.

Chapter 6

Sampling in Internal Test Auditing

Meaning and nature of Audit Sampling

- 6.1. The internal auditor applies audit procedures like inspection, observation, enquiry and confirmation, computation and analysis to various types of records, transactions and account balances. He can apply such techniques to an entire set of data (100% testing) or may choose to draw conclusions about the entire set of data (the population) by testing a representative sample of items selected from it. This latter procedure is audit sampling. *Audit Sampling is the testing of less than 100% of the items within a population to enable the auditor to form certain conclusions about the population.*
- 6.2. The population can be a class of records, transactions or account balances. The documents which the auditor needs to examine for particular test can also be regarded as population.
- 6.3. Sampling is a process of learning about a great deal by looking at a few. When using sampling, internal auditor should accept the risk that the sample selected may not fully represent the population i.e., the characteristic projected from the sample may not be the same as those that would be found if the entire population were examined. Thus, sampling is only a means to an end and not an end in itself. The sample and sample results should be analysed for materiality, reasons, causes and actual or potential effect.

100% testing vs. Selective Testing

- 6.4. When deciding how much testing of a population to do, the internal auditor has generally a combination of options available like:
 - examining all the transactions or items in a population (100% testing), or
 - examining some transactions and items selected on a basis decided (selective testing).
- 6.5. In case of selective testing, when the auditor applies his tests to a representative sample of transactions and balances, it is called audit sampling.
- 6.6. The internal auditor must make a judgment as to whether sampling is an appropriate way of obtaining some of the audit evidence required. Amongst the factors that must be considered are
 - The number and relative size of items in the population.
 - The materiality and inherent risk of error in the items concerned.
 - The relevance and reliability of evidence produced by alternative tests and procedures
 - The relative time and costs involved in each.
- 6.7. 100% testing is normally not required and also not practicable. However sometimes it may be necessary to carry out 100 per cent testing of a particular part of population

depending upon their value or high risk of error or in case of unusual or suspicious items or weak areas. Sampling can be applied to the balance population.

Fundamental principles of sample selection

6.8. In any sampling procedure, the following fundamental principles should be applied:

- Define the audit objective.
- Know what is being tested i.e. Know the population. This is required as audit conclusions are based only on the sample taken from that population.
- Establish the sampling unit in terms of audit objectives.
- Give every item in the population an equal chance of being selected.

Thus, the initial questions must be,

1. What are the objectives of present audit?
2. What is the population to be tested?
3. What are the sampling units required to be examined?

If the three principles are violated, the validity of the audit tests and conclusions will be open to serious doubts.

As such, when the population and sampling unit are properly defined, the whole audit thrust and approach improve. A good practice is to plot the population on a database or spreadsheet before sampling to identify sub populations or strata. The principles on which scientific sampling is based operate only if the sample is selected at random.

Simple Random Sampling (SRS)

6.9. Simple random sampling is generally considered as the most likely method to obtain a representative sample if there are no wide variations in the characteristics of the items making up the population. This selection method makes use of random number tables. The tables provide substantially complete assurance that every item in a population

Stratified Random Sampling

6.10. If there are wide variations in the amount or characteristics of the items making up the population, stratified sampling is generally used. In stratified sampling, the auditor separates the population into two or more strata (in effect, separate groups of populations so that there is less variability within each group) and then takes samples from each. Stratified sampling would provide greater sampling efficiency.

6.11. It may be noted that traditionally Auditors have always used the principles of stratification. Normally, the Auditors set aside the largest or more expensive or most significant items in a population for detailed examination and then select a sample from the remainder. This two strata approach has traditionally been used.

6.12. If the population is sub-divided into different strata carefully, it can help reduce the number of items needed to obtain a representative sample of the population. To take an example, assume that the internal auditor was given the task of examining the quality of Inspection Reports (IRs) issued within an Audit Office. The Office may be

comprising of various wings like civil audit, autonomous bodies audit, works and forest audit, receipt audit, commercial audit. To be representative of the population, the IRs should be segregated wing wise and samples drawn wing wise.

- 6.13. Stratification helps the auditor in two ways. It controls distortion and it permits use of smaller sample sizes. Once the population has been stratified, the sample items can be selected through simple random sampling.

Sampling Methods

- 6.14. There are basically three methods of sampling, viz., attribute sampling, variable sampling and probability proportional to size sampling. Of these, attribute sampling is of more relevance to internal auditors and is covered in this chapter.

Attribute Sampling

- 6.15. Attribute sampling calls for 'right' or 'wrong', 'yes' or 'no' type of answers. It is generally used for testing systems of internal control and is of much relevance to internal auditors. It is concerned with estimating the number of errors or other characteristics in a population. A statistical conclusion obtained from statistical sampling that a control had probably failed to operate 6 times out of a 100 would considerably assist the auditor in making his assessment of the strength of the control.
- 6.16. The internal auditor should use his judgement in deciding about the stratification of population and should choose the sampling procedure judiciously.

Chapter 7

Internal Test Audit – Planning and procedure

Annual Plan

- 7.1. ITA section should prepare an audit plan based on risk analysis. The assessment of risk should be inclusive of internal as well as external risk factors. Some of the illustrative risk factors were indicated in Chapter 4 (Para 4.5) of this Manual. In this process, ITA section would help to identify and evaluate significant risk exposure and contribute to risk management and internal control in the office. The audit plan should provide resources for appropriate follow up for audit resolution of the issues raised in audit.
- 7.2. It is the duty and responsibility of the ITA Section to completely test check all the sections in the office within a period of four years. However, if different period (cycle time) for coverage is fixed under the Manual governing the functioning of a particular category of sections, the Internal Test Audit of all sections shall be completed at least once in that period. The Internal Test Audit of a section should normally be completed within approved period. The audit party may consist of one AAO and two auditors (This can be varied by the HoD, depending upon the manpower position and exigencies of work). The Internal Test Audit should be done in such a way that the various aspects of work done in the section are critically examined and hidden arrears, if any, are brought to the notice of DGADS. The working of the sections should be examined with reference to the provisions of:
1. Various codes/Manuals issued by CAG/DGADS.
 2. Manual of the Section concerned.
 3. Office orders/circulars issued from time to time
 4. The Comptroller & Auditor General of India's Memorandum of Secret Instructions.
 5. Local Memorandum of Secret Instructions.
- 7.3. The three kinds of periodicity for the test check of sections are:
- Annual
 - Biennial
 - Quadrennial
- 7.4. The selection of the sections for test audit should be made on risk assessment. The Administration section, Establishment section should be audited annually along with sections assessed to be having high risk. All other sections are to be audited once in two years. All command offices under DGADS should be audited once in four years. The sections under the direct control of the DGADS shall also be subjected to internal test audit. The frequency indicated in this paragraph may be varied at the discretion of the HoD.

Due Professional Care

- 7.5. The internal auditors should apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

- 7.6. The internal auditor should exercise due professional care by considering the:
- extent of work needed to achieve the assignment's objectives.
 - relative complexity, materiality, or significance of matters to which audit procedures are applied.
 - adequacy and effectiveness of risk management, control and governance processes.
 - probability of significant errors, irregularities or non-compliance.
 - cost of an audit procedure in relation to potential benefits.
- 7.7. In exercising due professional care the internal auditor should consider the use of computer-assisted audit tools and other data analysis techniques
- 7.8. The internal auditor should be alert to the significant risks that might affect objectives, operations or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.
- 7.9. The illustrative checks to be carried out during the test audit of sections / groups are indicated in the respective chapters in this Manual. These checks are to be taken as illustrative and not exhaustive. These checks should be supplemented by preparing detailed checklists based on the provisions of applicable Manuals, codes, rules and instructions. It shall be the responsibility of the ITA section to conduct the test audit in an adequate manner to attain their objectives. The test checks should be applied to a sample of transactions / items of work selected on random basis, as well as the month selected by the DGADS for review.
- 7.10. The errors and omissions pointed out by ITA should be corrected expeditiously after submission of the report by the ITA. The Group Officer should submit his compliance report to the HoD within one month of date of issue of the report. In cases where the compliance report is not received, the ITA Section should invariably verify, after 2 or 3 months, whether the errors or omissions pointed out earlier have been rectified and shall bring to the notice of DGADS persistent repetitions of the same defects. The re-checking work should be completed within three days.

Important items of work to be seen personally by supervisory officers

- 7.11. More important items of work should be seen personally by the IAO without intervention of AAOs. An illustrative list of such items is given below.
- a) Scrutiny of one month's review conducted by the AAO (Departmental Compilation, Gazetted Entitlements and Pension Sections).
 - b) Review Register.
 - c) (i) Outstanding Provident Fund final refund and residual balance cases.
(ii) Class IV G.P.F Broadsheets and correspondence regarding reconciliation (II Stage) of differences
 - d) Half yearly review of cash book
 - e) Check of fortnightly reports of outstanding letters

- 7.12. In addition to the work related to pointing out procedural omissions, ITA Section should examine during the test check of sections, the important items of work of the section in detail to see whether they have been carried out properly.
- 7.13. The DGADS may, at his discretion, vary the cycle of test check according to the circumstances and needs of the office and utilise ITA Section for corrective action in areas found weak or defective.

Horizontal Check

- 7.14. Horizontal Check is the check of certain processes done in various sections of a branch. While the test audit is in respect of a section selected, (and therefore it covers all the items of work done in that section), horizontal check is carried out in respect of an item common to many sections of a branch or branches. Horizontal Check of an item in respect of group of sections of a branch gives a comparative picture of each section in respect of that item. Horizontal Check is useful and supplementary to test audit of section. It is left to the discretion of the DGADS to arrange for the horizontal check whenever he considers it to be useful and necessary.
- 7.15. The following records of one branch at least should be taken up each quarter for Horizontal Check.
- a) Calendar of Returns
 - b) Implementation of e-office
 - c) Diary Register
 - d) Periodical Reports>Returns
- 7.16. The horizontal check is not restricted to the items referred to in the above para. Selection of other items of work for horizontal check depends upon the circumstances and the need for such check. A list of such items is given below. If considered necessary, or more items from this list may be selected for horizontal check. This list is not exhaustive, items may be added from time to time.
- Register of Statistics
 - Audit Progress Register
 - Maintenance of other Registers and Objection Book
 - Objection Book
 - Register for watching receipt of Government Orders
 - Register of recovery at the instance of Audit
 - Unposted items of one month's test check and the action taken for clearance
- 7.17. The results of check should be communicated to the sections concerned and compliance watched.
- 7.18. The following is a list of items of work entrusted to ITA while auditing Admin/Establishment, Coordination and IR sections in DGADS and Coordination section in other command offices under which Local Test Audit Party function. This list is only illustrative and any other item of work can be allotted to the ITA Section.
- a) Scrutiny of audit and review conducted by the Audit Parties and Audit Support Sections.

- b) Checking of maintenance of portfolio files.
 - c) Scrutiny of the adequacy or otherwise of the existing arrangements for audit and review.
 - d) Test check of records of receipt, approval, issue and pursuance of Inspection Reports with a view to ascertaining whether there was any laxity at any stage.
 - e) Test check of records and functioning of Sections and Branch Offices.
 - f) Monitoring of the implementation of important office orders issued from time to time.
 - g) Investigation of important arrears.
 - h) Half-yearly review of cash book.
 - i) Test check of service books of personnel.
 - j) Scrutiny of the list of personnel who would be completing 30 years of service or attaining 55 years of age.
 - k) Independent scrutiny of details in support of Budget Proposals of different Wings.
 - l) Check of statistics of regular, temporary and casual temporary staff.
 - m) Check of rosters maintained for reservation of vacancies.
 - n) Check of list of candidates appearing in SOG Examination in terms of paragraph 9.2.3 of the Manual of Standing Orders (Administrative), Volume I.
 - o) Check of Honorarium and Overtime claims.
 - p) Check of Gradation list.
 - q) Review of complaints addressed to the Comptroller and Auditor General.
 - r) Review of Calendar of Returns.
 - s) Liaison between the Principal Director (presently, Director General) of Inspection and the Sections during the former's inspection of the office.
 - t) Investigation of procedural omissions, irregularities and audit lapses brought to notice by the Principal Director (presently, Director General) of Inspection.
 - u) Submission of appraisal reports of the work done by the ITA Section to the Principal Director (presently, Director General) of Inspection.
 - v) Checking the quality of audit conducted and commenting specifically on this aspect in its reports so that suitable measures may be initiated to improve the quality of work where necessary.
- 7.19. The DGADS may allot to the Section any other special work that he may consider necessary.

Other items of work

- 7.20. The Head of the Department may, in his discretion, entrust ITA Section with the work of consolidating the monthly arrears report of all the sections in the office and sending a consolidated report of arrears in each quarter to the Office of the Comptroller and Auditor General of India in accordance with the extant instructions. However, it is preferable that this kind of work is entrusted to some other section (like Co-ordination section).

- 7.21. According to the CAG's secret instructions, the statistics in support of Budget Estimates forwarded to the C & AG Office every year are to be checked by ITA Section. The scrutiny should be restricted to the correct application of standards on which the staff is claimed. The ad-hoc requirements are to be scrutinised with reference to the actual volume of work involved. The results of such check should be submitted directly to the DGADS.
- 7.22. ITA Section should conduct a cent per cent review of all complaint cases received from Headquarters Office and which were not settled for six months from the date the complaint was first lodged.
- 7.23. ITA Section should also carry a test check of 5 to 10 per cent of complaint cases received in the office and addressed by name to the DGADS/Group Officers and those received direct by sections through ordinary dak.

Programme of work

- 7.24. The programme of work of ITA Section for each quarter should be got approved by the DGADS by the 5th of the month preceding the quarter to which the programme relates. The sections to be taken up for test audit and items for horizontal check should be got selected by the DGADS.
- 7.25. After the selection of sections is done, intimation should be sent to the sections concerned by 10th of the month preceding the month in which test audit is to be taken up, for keeping the records ready.
- 7.26. As far as possible all sections in a functional group should be taken up for test audit in one spell. In the cases of larger functional groups comprising of several subgroups, test audit of all the sections in a sub-group should be arranged as far as possible in one spell. In the case of larger functional groups/subgroups, test audit of 50% of the sections may be arranged in one spell and the test audit of remaining 50% of the sections of the functional group or sub-group may be arranged in other spell.
- 7.27. The number of sections taken for test check in various quarters should, as far as possible, be evenly distributed. Similarly, within each quarter, the work should, as far as possible, be spread over evenly throughout the quarter. The actual number of sections to be taken up for check in each month or quarter will depend upon exigencies of circumstances, subject, however, to the condition that normally the number of sections checked in a month may not exceed 3 and the number checked in a quarter should not exceed 8. This may be relaxed by the HoD.
- 7.28. The sections should send on the same day the records called for by the ITA Section. In its turn, ITA Section should ensure that the records brought from the sections are returned promptly.
- 7.29. The common defects in the working of the sections noticed during the test audit of sections and other checks should be periodically brought to the notice of these sections by issuing circulars.

Progress Register

- 7.30. The issue, return and the submission of the ITA Report to the DGADS and its final closing should be watched through a Progress Register in Form-1 (Appendix-2). A similar register may be maintained to ensure watch in respect of:
- (a) Triennial Review Reports.
 - (b) Service Books Check Reports.
 - (d) Horizontal Check Reports.
 - (e) Half Yearly Cashbook Check Reports, etc.
- 7.31. The IAO should issue reminders to the defaulting sections through Group Officer concerned and also bring to the notice of the Director General, the position of outstanding reports once in a month indicating the sections which have not furnished the replies and the period from which the reports are outstanding

Preservation of Records

- 7.32. Preservation of records is required to be made as indicated below

SI No.	Particulars of the Record	Period of Preservation
1	ITA Reports	2 years after closure of the report and settlement of all paras
2	Watch register of ITA Reports	2 years after the closure of all the all the Test Audit Reports of particular cycle or till the inspection of the Director General of Inspection (DGI) is completed and the observation of the DGI thereon are settled, whichever is later
3	Correspondence relating to Director General of Inspection (DGI)	1 year after the closure of the report of DGI and settlement of all paras in the Inspection Report
4	Monthly statements of complaint cases to CAG	1 year provided all outstanding cases are included in the monthly statement

Chapter 8

Internal Test Audit of Administration Group

8.1. This chapter deals with following sections of Administration Group:

1. Administration Section
2. Dak Section
3. Establishment Section
4. Budget Section
5. PAO section
6. D & RAC Section
7. Hindi Cell

Administration Section

8.2. Administration section, inter alia, deals with cadre control of Defence Audit Wing viz appointment, promotions, confirmations, transfers, disciplinary cases, MACP, matters related to deputation, management of APAR in respect of all staff and officers, Departmental examinations and training programmes.

Following aspects of Administration section should be checked during internal test audit:

8.3. Staffing

- i. The number of sanctioned posts for the office in each cadre, viz. Sr.AO, AAO, Sr. Auditors / Auditors, Clerks, miscellaneous posts and Group 'D' staff, the number of persons actually in position and reasons for any variations may be obtained.
- ii. Number of temporary posts, if any, specially sanctioned for clearance of arrears/ special items of work indicating the period of sanctions and other details may be obtained.
- iii. How many ad-hoc/casual/temporary posts (Group-wise) were sanctioned during the last three years and for what purpose? How many posts were filled in? What are the periods for which those were filled in?
- iv. How many members of employees up to and including the grade of Sr. AOs have been working for more than 5 years in the same group and for more than 3 years in the same sections on date? Whether the cases for their retention are being reviewed from time to time and orders of DG obtained in compliance of Headquarters office instructions/ instructions contained in CAG's MSO (Admn), Vol.-I ?
- v. Whether confirmation of any person in initial cadre is held up; if so, ascertain the reasons cadre-wise and individual-wise.
- vi. How many persons were sent on training within 3 months, within 6 months and within one year of recruitment from the period of last test audit to date?
How many persons could not be sent on training after recruitment during the period from last inspection to date and for what reasons?

- vii. Whether there has been any case in which candidates otherwise not eligible/ educationally qualified as per extant orders / rules were allowed to appear in the departmental examinations? Whether approval of competent authority was obtained?
- viii. How many persons who have passed the qualifying examination are awaiting promotion? What are the reasons for not making promotion of such persons?
- ix. Whether entitlements of Government servants extended with the benefit of Assured Career Progression Scheme have been checked in the light of orders / clarifications issued by Government of India / Office of CAG from time to time?
- x. Whether attendance registers are checked by Branch Officers/Group Officers periodically and whether actions are taken on crosses for late coming, absence, etc.
- xi. What is the number of Supervisors in position vis-à-vis post sanctioned by Hqrs? Aspect of temporary appointment of Supervisors in Deficit Audit Offices in terms of Headquarters office instructions in this regard should be seen and it should also be seen that the Supervisors temporarily promoted as Section Officers are reverted as and when qualified SOGE passed candidates are available for promotion.
- xii. What is the number of SOGE passed candidates not promoted as on 1st January each year? Why they could not be promoted?
- xiii. Whether Government of India/Headquarters instructions issued from time to time on compassionate appointments regarding verification of applications, adherence of prescribed quota, time limit for making compassionate appointment, financial condition of the applicant / family, etc. are being strictly followed.
- xiv. Whether prior approval of Dy. CAG or such other competent authority was obtained before making compassionate appointments in the cases where it was required under extant scheme of compassionate appointments.
- xv. Whether Government's instructions issued from time to time on post-based reservations are being followed scrupulously in the maintenance of cadre wise/methods of appointment-wise reservation rosters? Current status of cadre-wise backlog of SCs/STs/OBCs and efforts made to clear the same may be examined.
- xvi. Check the material provided to the Departmental Promotion Committee (DPC) relating to preparation of promotion panels in respect of all cadres.
- xvii. Whether Headquarters' instruction issued from time to time regarding avoidance of delay in promotions are being strictly followed? If there has been any case(s) of delay during the current/previous panel year, the details may be examined.
- xviii. In the revised instructions relating to post based recruitment, the number of persons-in-position in a particular quota (Seniority/Departmental Examination/Direct Recruitment) of a cadre is not to exceed the number of posts prescribed as per given percentages in the relevant recruitment rules. Whether there has been any case of deviation from these instructions? If so, the reasons thereof may be examined.

- xix. Whether there has been any case of termination from service/delay in confirmation of candidates directly recruited through SSC due to delay in timely imparting of training in regional language as per Headquarters instructions.
- xx. Whether training was given to staff in problem areas?
Inter alia see:-
How may training programmes have been conducted during the year and previous financial year? What are the topics covered therein and what is the level of participants in the training programme?
- xxi. Cases of sexual harassment of working women at workplace:
 - i. How many cases of sexual harassment are pending?
 - ii. Present position of each case
 - iii. Whether committee prescribed for the purpose has been formed; if so, collect details.
 - iv. Reason for not finalizing the cases so far.
- xxii. Check the material relating to preparation of gradation list.

8.4. Administration Setup and other matters

- (i) Whether Calendar of Returns is maintained in the prescribed form and submitted regularly to the concerned Group Officers and HoD (wherever required)
- (ii) Whether any control register is maintained in the Secretariat of HoD or any other co-ordinating section to watch the timely submission of those returns to the HoD.
- (iii) What are the names of the officials with their designation against whom disciplinary proceedings are pending? Also supply the following information for each case:-
 - a) Date of incidence
 - b) Date on which disciplinary proceedings initiated
 - c) Nature and present position of the case
 - d) Since when pending
 - e) Reasons for not finalising the case so far
 - f) Any other remarks to be offered by Administration in regard to delay in finalisation of disciplinary cases.
- (iv) Check the records relating to grant of cash awards with reference to the eligibility and relevant rules.
- (v) Court cases/Tribunal cases:-
Information in the following proforma may be collected and examined.

Year	Nature of cases in brief	Date of filing	Date of disposal	Whether disposed in favour of Government or Government servant or	Expenditure incurred	If not disposed, stage at which pending	Reason for delay, if any

				any other party			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

(vi) Confidential Reports

Information in the following proforma may be collected and examined.

Year	Total no of staff: cadre wise/year wise	Total confidential Reports received year wise	Balance	Reason for non- receipt	Follow up action taken, if any

(vii) Whether any confirmation, promotion etc. could not take place in time due to delay in receipt of Confidential Reports.

(viii) Complaint Cases

Total numbers of complaint cases received, disposed and balance pending for the period from last inspection to date may be ascertained. Also ascertain what control mechanism exists for redressal of complaints/grievances of staff. Check whether complaint register to monitor the grievances of SC/ST employees is maintained as per the instructions of Headquarters and reviewed by the Group Officer monthly

Dak Section

8.5 Dak section deals with receiving and dispatching of Daks both internal and external. Guidelines regarding Management of Dak or Receipt has been illustrated in Chapter 5 of Central Secretariat Manual of Office Procedure (CSMOP-2019).

The illustrative checks to be exercised and points to be seen during internal test audit of Dak Section are indicated below:

- i. Whether periodical verification by the Branch Officers are being made in accordance with Office Procedure Manual with all connected records to see that all letters received are diarized, action taken and all letters received for issue were dispatched in time?
- ii. Whether returns regarding use of E-mail are sent to HQ fortnightly as required?
- iii. Whether the letters required to be sent by E-mail are sent by E-mail? If not, reasons for the same may be examined.
- iv. Whether the Dak monitoring system has been computerised as instructed by HQ?
- v. Whether there is any delay in distributing the letters among concerned sections/wings?

- vi. Whether the letters are diarized in each of the sections and letters are delivered to concerned officials and acknowledgement obtained and also disposal indicated properly by recording relevant file number in which the letter was dealt with.
- vii. Whether weekly / fortnightly report of outstanding letters is being prepared and submitted regularly and submission watched through Calendar of Returns.
- viii. Whether there is a system to update the addresses of the different offices from time to time to avoid transit loss, etc?
- ix. Whether the service stamp account is maintained properly and periodically verified by an independent officer/ official?
- x. Whether despatch register is reviewed every month and, in respect of cases requiring reminder, timely reminders are issued?

Service Postage Stamps Account

Stock account of service postage stamps should be scrutinized to see:-

- i. That daily account of service postage stamps is being maintained properly and in the prescribed form and is attested daily by the person in-charge of the section.
- ii. Stock of closing balance has been correctly carried over to next month and the same has been attested.
- iii. That the physical verification of stamps has been conducted at the end of each month and a certificate to this effect has been recorded in the register.
- iv. That all issues of stamps relating to registered letters are supported by postal receipts.
- v. Denomination-wise closing balances has been indicated at the end of each month.

Establishment Section

- 8.6** Establishment section deals with the matters related to general office management, staff matters of HQ office, matters related to office library, processing of pay-bills in r/o HQ staff, welfare work, all type of contingency purchasing and contracts excluding IT items and outsourcing of casual staff.

Following aspects of establishment section should be checked during internal test audit of establishment section:

8.7 Cash

- i. How many persons were working as Cashier and Assistant Cashier in Cash Branch? Ascertain their names and date of appointment as Cashier and Asstt. Cashier, as the case may be.
- ii. What is the currency of Fidelity Bond/Insurance policy in respect of each official worked as cashier and due dates of their renewal? The records through which the renewal of Fidelity Bond/Insurance, etc., is watched may also be examined.
- iii. What is the maximum amount of cash handled by each Cashier and Asstt. Cashier at any time during the last one year? What was the actual cash balance at the close of each day during the month of inspection? Are there huge cash balances? Ascertain the names of Drawing and Disbursing Officers for the period from last inspection (to date).

- iv. Whether there had been any case of defalcation/losses/embezzlement of cash in the office since last inspection? If so, a brief history of the case indicating the action taken may be obtained and kept in inspection file.
- v. What was the amount of imprest sanctioned by the Headquarters office? Whether detailed account is being maintained? Whether certificate of balance was being sent to Headquarters.
- vi. In case imprest is insufficient, whether Headquarters Office was approached for raising the amount of imprest?
- vii. Whether AC bills are being drawn? If so, details of AC bills drawn since last three years and their clearance may be obtained. Reasons for delays in clearance, if any, may be examined.
- viii. Year wise total amount of honorarium paid to the employees and whether approval of Headquarters office was obtained for payment made beyond prescribed ceilings.
- ix. Whether there is any discrepancy in report sent to HQ on staff strength as on previous 1st March as compared to pay bills drawn (number of persons on duty, leave and deputations (group wise)).
- x. Whether cash book and other documents are being maintained as per procedure laid down in Receipts and Payments Rules.
- xi. Whether periodical surprise check of cash is carried out by personnel other than from Administration Wing.
- xii. Whether the cash book is maintained in the prescribed form (presently GAR 3).
- xiii. Whether the pages of cash book are machine numbered and a certificate of count of pages has been recorded on the first page before a cash book is brought into use.
- xiv. Whether all monetary transactions have been entered in the cash book as soon as they have occurred and attested by the DDO.
- xv. Whether the cash book is closed regularly and properly checked and at the end of each month the DDO has personally verified the cash balance and has recorded a signed and dated certificate to that effect.
- xvi. Whether the totals have been checked by a person other than the writer of the Cash Book.
- xvii. Whether surprise physical verification of cash has been conducted at periodical intervals by the DDO.
- xviii. Whether there is a voucher for every entry setting forth full and clear particulars of the claim and all information necessary for its proper classification and identification in accounts.
- xix. Whether the amounts received have been paid in full into the bank without undue delay, for credit to Government Account under proper head.
Note.-The verification of credits of the selected month's receipts should be made with reference to the bank reconciliation statements of receipts prepared by the DDO.
- xx. Whether a receipt in the prescribed form (presently GAR 6) has been issued to the payer when money is received. This receipt is to be signed by the DDO who should

satisfy himself at the time of signing the receipt that the amount has been entered in the cash book.

- xxi. Whether there are erasures or overwriting in the cash book. Erasure or overwriting of an entry once made in the Cash Book is prohibited. If a mistake is discovered, it should be corrected by drawing a line through the incorrect entry and recording the correct entry in red ink.
- xxii. Whether adequate security as envisaged in the General Financial Rules in respect of Cashier has been obtained, accepted by the competent authority and relevant documents kept in the safe custody of the Head of Office.
- xxiii. Whether Government money has been kept in strong cash box secured by double lock.
- xxiv. The officers in charge of ITA parties may get the cash balance verified by the officers of the cash branch in their presence and have a certificate of verification recorded in the Cash Book.
- xxv. Whether the account payee cheques issued by the PAO / Cheque drawing DDO in favour of Government servants and third parties are being entered in the cash book. Such cheques, being payable only to the parties, should not be entered in the cash book. The delivery and acknowledgements of such cheques should, however, be watched through a separate register. This aspect should be checked.

8.8 Service Books

ITA section is required to test check all the service books within a period of 4 years with reference to the personal files of each official. For this purpose, ITA Section should maintain a register of service books in alphabetical order. In the first quarter of each year, this register should be updated by taking note of service books for check every quarter. The service book of the staff of ITA section should be got test checked by any other section. A report on the scrutiny of service books should be submitted to the Director General on completion of the checking of service books.

8.9 The test check of service books should be conducted on the following lines:-

- i. Check whether entries are attested (including re-attestation after every five years).
- ii. Check whether the record with reference to which the date of birth has been verified is noted against the entry in the service book.
- iii. Check whether the entries regarding physical fitness, verification of antecedents etc. have been taken in the service book
- iv. Check whether there are any erasures overwriting or unattested / unauthorized entries in the service book.
- v. Check whether particulars regarding the appointment, promotion, punishment etc. have been correctly recorded with reference to the orders.
- vi. Check whether signature of government servant is taken every year in token of having verified.
- vii. Check whether service has been verified with reference to pay bills / acquittance rolls.

- viii. Check whether the date of increment has been worked out correctly with reference to the dates recorded in the service book.
- ix. Check whether service books of all the employees are maintained properly along with their leave account? Check whether all entries in the service book including entries for leave are made based on office order issued by the office.
- x. Check whether the leave account has been correctly maintained and the entries of leave taken, balance at credit, etc. are correct with reference to the leave record in the personal file and whether leaves availed are reconciled with attendance record.
- xi. Check whether particulars of foreign service and the note regarding the recovery of leave salary and pension contribution is taken in respect of officials who were on foreign service.
- xii. Check whether the options exercised by the Government servant regarding revision of pay /pension have been pasted in the service book
- xiii. Check whether the note regarding the receipt of nomination for DCRG is taken in the service book.
- xiv. Check whether the record of LTC availed of / hometown declared is correctly recorded.
- xv. Check whether details of family members are kept pasted in the service book.
- xvi. Check whether certificate relating to taking of oath of allegiance / affirmation to the Constitution of India is available.
- xvii. Check the affixing of photograph of Government Servant and its renewal after every 10 years.
- xviii. Whether periodical verification of the service books is conducted?
- xix. Whether registers for nomination in respect of DCRG / Group insurance scheme, family pension, GPF are maintained up to date and periodically physically verified?
- xx. How many service books of officials who have completed 25 years of service or left with 5 years' service for retirement are to be verified as envisaged in CCS (Pension) Rules as on date?
- xxi. Whether periodical physical verification of nominations for family pension and Death-Cum-Retirement Gratuity was being carried out? If so, the results of physical verification may be seen.
- xxii. Whether the Register of Service Books is maintained and half yearly physical verification of service books was being done by an independent officer other than Branch Officer (Administration).

8.10 Register of Valuables

- i. Whether the register is being maintained in the prescribed form.
- ii. Whether the cheques/demand drafts received have been entered in the register on the day of their actual receipt.
- iii. Whether full particulars of the valuables are recorded in the register.

- iv. Whether the valuables (cheques / demand drafts, etc.) have been sent to the bank soon after their receipt for credit to Government Account.
- v. Whether the register is being closed every fortnight or at such other intervals as may be prescribed.
- vi. Whether the credit of valuables has been traced in the bank scroll and particulars thereof recorded in the register.

8.11 Contingent Bills

- i. Whether the rules regarding preparation of contingent bills are being observed by the Drawing Officer and proper bill forms are used for withdrawal of funds.
- ii. Whether expenditure has been incurred within the provisions of budget grant for that particular head of account.
- iii. Whether, in case of contract contingencies, the proposed expenditure has not exceeded the contract/grant.
- iv. Whether each voucher bears a pay order signed by the DDO specifying the amount both in words and figures.
- v. Whether all the paid vouchers which are not required to be sent to the PAO have been stamped "paid and cancelled" by the DDO so that these may not be misused.
- vi. The contingent bills for wages of Mazdoors engaged in manual work and paid at daily or monthly rate, rent, electricity and other charges incurred on the hire of private buildings, expenditure on light refreshment, etc. are in accordance with the rules and the Government orders issued from time to time.
- vii. Whether the flow of expenditure during March in any financial year is not on high side with a view to exhausting the budget allotment.
- viii. Whether expenditure has been sanctioned by the competent authority and sanction to the expenditure has been attached with the bill.
- ix. Whether a register of contingent charges, to watch the expenditure under each sub-head is maintained in the prescribed form (presently GAR 27), budget provisions against each sub-head have been noted on the top of the columns provided and that every entry has been attested by the D.D.O. before any payment is made.
- x. Whether progressive totals of expenditure under various sub-heads are being struck so that expenditure does not exceed the budgetary allotment.
- xi. Whether all the vouchers for purchase of stores bear a certificate by the competent officer regarding entry of stores in the stock register, indicating the page number of the stock register and a certificate by the competent authority that the quantities of stores received were in order and that the stores were according to the approved specification.
- xii. Whether a detailed contingent bill is sent to the Pay & Accounts Officer in respect of amounts withdrawn on abstract contingent bill soon after the money has been utilised and that the unutilised amount has been refunded to the Government account.

8.12 Purchase of Stationery

- i. Whether the head of office has incurred expenditure on purchase of stationery in excess of the powers delegated to him.
- ii. In case the head of office has incurred expenditure in excess of powers delegated to him, whether the same is regularised by obtaining sanction of the competent authority.

8.13 Central Government Employees Group Insurance Scheme

- i. Whether the Head of the office is maintaining a Register of members in the prescribed form.
- ii. Whether nominations have been obtained by the Head of office from each member, that they have been pasted in the Service Books of the officials and that entries regarding the receipt of nominations have been made in the Service Books.
- iii. Whether the subscription is being recovered from the salaries of the members through regular pay bills at the prescribed rates.
- iv. That in case of death of a member, the insurance money has been paid correctly to the nominee at the prescribed rates. (In addition, the member would be allowed the amount from the Saving fund at the prescribed rates.)
- v. That the amount of subscription under the old scheme has been credited to employees' provident fund accounts as per orders on this subject.

8.14 Staff Cars (Government Vehicles)

In respect of offices maintaining staff cars/vehicles, the ITA should see that following records are maintained:

- i. Log Book for each staff car in form SY 263
- ii. A register of repairs and replacements indicating the cost and dates.
- iii. A register showing the cost of petrol, Mobil Oil etc. consumed and all incidental expenditure.
- iv. An inventory of equipment.

8.15 Log Books

- i. It is maintained in prescribed form.
- ii. The entries made in the log book are in ink.
- iii. The entries of mileage at the beginning of the journey and also at the completion of the journey are noted by the officers using the staff cars themselves except in the case of officers of the rank of Joint Secretary and above where these entries may be made by their Private Secretaries/Personal Assistants.
- iv. That log books are scrutinized by the Head of Office to ensure that there is no misuse.
- v. That the log books are closed at the end of each month and summary showing details of duty and non-duty journey performed during the month is prepared in the prescribed proforma.
- vi. That the staff cars are used for bonafide official duties at headquarters.

- vii. That the staff cars have not been taken outside headquarters without the approval of the competent authority.
- viii. That staff cars are not used for non-duty purposes to the places of entertainment, public amusement, play-grounds, pleasure trips etc. and by officers on leave.
- ix. That approval of the competent authority has been obtained for all cases of replacement of staff cars.
- x. That the average monthly consumption of petrol/diesel per kilometre is calculated at the end of each month and that this average is not on the high side.
- xi. The cost of repairs and replacement is not on the high side.
- xii. That the replacement of the same parts are not frequent.
- xiii. The reasons for frequent repairs/breakdown of the vehicles are not such as to indicate any negligence on the part of the drivers.
- xiv. All the bills paid towards the cost of petrol are entered in the P.O.L. Register as well as in the log book and that the entries agree.
- xv. It should also be seen that D.D.O. has recorded the following certificates on the contingent bills relating to payment of petrol:-
 - a. Certified that the quantity of petrol purchased has been entered in the log book of the respective vehicle.
 - b. Certified that the necessary recoveries have been made/are being made from the parties concerned who have used the staff car for non-duty journeys.
- xvi. That all non-duty journeys are charged at the rates specified in rule 21 and 22 of the staff car rules and the charges at these rates are recovered promptly and for the distance covered by the staff car from the time it leaves office/garage till it returns to office/garage.
- xvii. That the controlling officer has personally checked the inventory of equipment every month and any loss arising out of negligence is made good through appropriate recovery.
- xviii. That no cleaner has been appointed for cleaning of the staff car.
- xix. That no extra allowance is paid to staff cars drivers for cleaning and washing of the cars as this forms a part of their duty.
- xx. That the staff cars are not parked at the residences of the drivers or of the officials.

Stock Registers

8.16 Accession Register of Library Books

- i. Whether Accession Register as prescribed in GFR is maintained for Codes and Manuals, Secret Memorandum of Instructions etc. Physical verifications as contemplated in MSO (Admn.) Vol.-I is being carried out annually? When was the last physical verification of books in the library conducted and what were the results of verification? What action was taken to set right the discrepancies?

- ii. What are the names of local manuals maintained in the office (Group-wise)? Which is their year of print (1st edition)? Which is year of latest publication?
- iii. Whether up to date correction slips have been issued and pasted in the respective manuals?
- iv. Whether any of the manuals were revised/updated in accordance with Headquarters office instructions?
- v. Whether any manuals are lying with Government/other printing presses for printing? If yes, since when and what efforts have been made by the office to get the manuals printed early?
- vi. Whether proper record of books issued to various functional groups/sections and field parties have been maintained and availability of books reported by them annually, before the date of annual physical verification of books.
- vii. Ascertain the value of books purchased during last three years indicating the value of Hindi and English books purchased.
- viii. Ascertain the details of review of old books/codes and manuals conducted during last 3 years to weed out the books no more required.
- ix. Similar information may be obtained in respect of sale of wastepaper scrap, etc.

8.17 Dead Stock Register

- i. When was the last stock verification of dead stock articles carried out? Whether the verification disclosed any surplus/shortages? If so, whether the shortages have been got regularized and surplus taken in stock?
- ii. Whether a separate register of repairable/unserviceable furniture maintained to account for the repairable and unserviceable items.
- iii. Whether furniture articles are lying in unserviceable condition? If so, what steps have been taken to get them repaired or to dispose them off?
- iv. Expenditure (year wise) incurred on repair of furniture during last three years may be collected and reviewed.
- v. Whether all the consumable and non-consumable items are entered in the registers?
- vi. Whether proper record is maintained in respect of furniture and other items supplied to officers at residence for official use vis-à-vis scale of furniture admissible.
- vii. Whether proper records are maintained relating to procurement of forms and stationery including indents for them, their distribution and stock in hand.
- viii. Whether Inventory Registers and History Sheets of machines purchased including computers, ACs, coolers, vehicles, cycles, photocopiers, vacuum machines, shredders, printers, servers, Fax machines, UPS, EPBX system etc. are maintained properly.
- ix. Whether a stock register of computer hardware and software maintained to record all purchases made inter alia indicating their machine nos. configuration details.
- x. Ascertain the total number of fire extinguishers in the office and their location.

- xi. Ascertain whether all the fire extinguishers are in working condition? What is the date of expiry of their refill? Is periodical mock firefighting exercise done?
- xii. How many persons have been given training in firefighting?
- xiii. Whether all stock items having identification letters/numbers marked/painted on them in accordance with Headquarters instructions?

8.18 Asset Register

Check the maintenance of Asset Register of physical assets and furnishing of returns to Headquarters, in accordance with Headquarters instructions.

8.19 Old Record Management

- i. Whether registers of files are maintained year wise by each section.
- ii. Whether files for more than two years are reviewed annually by each section to weed out/transfer the files to old record section.
- iii. Whether any regular review was being done regarding files and records and weeding them as and when necessary? If so, period up to which records were destroyed/weeded out may be obtained/checked.
- iv. Whether Old Records Register was being maintained? The records for the third preceding year are required to be sent by various sections. Verify the position of receipt of records in the Old Records Section/Establishment Section.
- v. Whether physical verification was being done continuously in a phased manner, i.e., section-wise in such a way that all sections are covered in a spell of 2 years?
- vi. Whether orders from Group Officer for weeding out/destruction were obtained and whether the register was submitted to the Group Officer after doing needful?

8.20 Engagement of casual Labour

- i. How many persons were employed as casual labourers on daily wages as of 1st of the month of test audit? Find out the date from which employed.
- ii. Whether the engagement of casual labourers was justified with reference to norms.
- iii. Whether any casual labourer is engaged continuously for more than 206 days in a year?
- iv. (a) Whether Headquarters instructions regarding engagement of casual labourers etc. are being strictly adhered to? If not, the reasons thereof.
(b) Whether Government of India/Headquarters instructions issued from time to time regarding grant of temporary status to casual labourers are being scrupulously adhered to? If there had been any deviation, the details thereof with justification may be obtained.

8.21 General Maintenance

Check whether satisfactory efforts are being made for the maintenance of the following. (Give remarks as satisfactory / unsatisfactory).

- i. State of lawns, gardens, open space around office/residential houses, if any under management of office.
- ii. Cleanliness of corridors and stair cases, toilets etc.
- iii. State of lifts & Fire fighting equipment.
- iv. Appearance of office building
- v. State of tables, chair and side shelves in sections
- vi. State of water coolers, air-conditioners, water filters and desert coolers
- vii. Clean look of curtains, walls, floors, windows, doors, fans and lights in sections
- viii. Wearing of uniforms, shoes and caps by staff to whom dress code is applied.
- ix. Condition of staff cars and other vehicles
- x. State of compound walls, security fences and deployment of watch and ward staff in office and residential premises (separately)
- xi. Upkeep of records
- xii. Maintenance of old record room
- xiii. Display of office circulars in notice board and their periodic removal

8.22 Expenditure

The essential points to be seen in the internal test audit of expenditure are as follows:

- i. That payments made by the cheque drawing DDOs are in accordance with the rules and orders governing them, their arithmetical calculations are correct and the recoveries/deductions made from bills are in order. That the lists of payments accompanied by paid vouchers are sent every week by them as per instructions to the concerned P.A.O. by the prescribed dates.
- ii. For expenditure beyond the powers of Head of Office, there exists a sanction, either specific or general, accorded by the competent authority.
- iii. For every payment made, there is a voucher complete in all respects or a certificate of payment where it is not possible to support a payment by a voucher.
- iv. There is a provision of funds sanctioned by the competent authority.
- v. The expenditure has not been incurred solely to prevent lapse of budget allotment.
- vi. In case of work done or purchases made, the accepted tender along with the rejected tenders, comparative statements and notices of tender are available in the office of the accepting authority along with the reasons for nonacceptance of lowest tender.
- vii. The payment has been made to the proper person and it has been so acknowledged and recorded so that a second payment on that account is not possible.
- viii. The charges do not exceed the rates or scale fixed under rules or orders issued by the competent authority.
- ix. The payments have been correctly accounted for in the initial accounting records.
- x. Sub-vouchers and acquittances for amounts up to Rs.100/- and retained by the DDO are marked cancelled, after their entry in the contingent charges register, so as to prevent misuse of the vouchers.

- xi. Sub-vouchers for amounts in excess of Rs.100/- have been sent to the Pay & Accounts Office concerned along with the bill.

8.23 Grants-in-Aid

Following points should be checked while conducting internal test audit of grants-in-Aid:-

- i. The grant-in-aid was properly spent on the specified objects within the time allowed in the sanctioning order or within a reasonable time, if no limit has been fixed.
- ii. Money has not been unnecessarily drawn in advance of the requirements to avoid lapse of funds.
- iii. The conditions attached to the grants-in-aid are fulfilled.
- iv. Any portion of the amount of grant-in-aid which is not ultimately required for expenditure upon the specified object is promptly refunded to Government and that no unspent balance of the previous grant-in-aid, if any, is lying with the grantee.
- v. That the register of grants-in-aid is maintained by the sanctioning authority in a proper form and all columns provided therein are complete and correctly filled in.

SSC Section

8.24 SSC section mainly deals with personal claims of the employees. Duties of SSC section includes Online processing of Medical, TA/DA, LTC, Newspaper/Briefcase, Children Education Allowance claims in respect of employees of O/o DGADS New Delhi, O/o DADS Delhi Cantt & DADS Meerut. GPF withdrawal/advance, Local Conveyance claims and Telephone Bill of Group A (IAAS) officers of O/o DGADS New Delhi are also processed by SSC section.

Following aspects of SSC section should be checked while conducting internal test audit :

8.25 Advances

- i. Ascertain separately the number and amount of TA advances and LTC advances outstanding as on the starting date of the month of commencement of inspection. Also ascertain the year-wise position.
- ii. Why the advances pending for more than prescribed period could not be recovered from the salary of the concerned officials?
- iii. How many TA claims/LTC claims submitted by employees are pending with the office for more than one month as on the starting date of the month of commencement of inspection?
- iv. Whether control registers for all interest bearing and non-interest bearing advances are maintained in order to keep watch on their timely recovery. In this connection, check whether the House Building/Personal Computer advances are being maintained in the proforma as prescribed by Headquarters office and regularly submitted to the Branch Officer/Group Officer and watched through Calendar of Returns. Also look into

the aspects of obtaining requisite documents and charging of penal interest at the prescribed rates in case of defaulters.

8.26 Leave Travel Concession

- i. Check whether declaration of hometown has been received from each official and recorded in the Service Book in accordance with the applicable instructions.
- ii. Check whether the declaration of hometown once made has been allowed to be changed more than once during the service.
- iii. Check whether the concession is allowed to any Government Servant or his family members where the official has not completed one year's regular service as on the date of journey performed by him or by his family, as the case may be.
- iv. Check whether the concession to hometown is allowed not more than once in a block of two calendar years commencing from 1-1-1956 i.e., 1956-57, 1958-59, 1960-61 and so on.
- v. Check whether any official undertakes the journey in a chartered bus, van or other vehicles, which are owned by private operators.
- vi. Check whether any official undertakes the journey in private cars (the cost of propulsion being borne by Govt. Servant himself).
- vii. Check whether the advance granted to the officials, if any, has been adjusted in full.
- viii. Check whether any civilian official avails himself of Leave Travel Concession for journey to any place in India for more than once in block year of 4 calendar years commencing from 1974-77, 1978-81 and so on.
- ix. Check to see that there is no bar for the Govt. Servants and his family members to visit the same place or different places of their choice (anywhere in India).
- x. Check to see that the leave travel concession for journey to any place in India is allowed only in lieu of and in adjustment against the leave travel concession to the hometown including concession, if any, carried forward to which an official may be entitled at the time of journey to any place in India is undertaken.
- xi. Check whether the officials are submitting adjustment bills within the prescribed period after completion of the journey.

PAO Section

- 8.27** Internal test Audit of PAO section should be as per the related provisions of Civil Accounts Manual (CAM).

Budget Section

- 8.28** All matters relating to Budget, Expenditure Statements, Reconciliation, HBA and PCA cases, Pay anomalies etc are dealt by Budget Section. Preparation of pension papers and other retirement benefits are calculated and forwarded to PAO section by budget section.

8.29 The essential points to be seen in the internal test audit of Budget Section are as follows:

- i. Whether monthly Expenditure Report (MER) are compiled and sent to HQ within prescribed time.
- ii. Whether Budget allocation to branch offices is done as per requisitions of the branch offices.
- iii. Whether COR is being submitted regularly.
- iv. Whether Returns and Reports related to Budget are sent as per guidelines of HQ
- v. Whether expenditure is reconciled with PAO monthly.
- vi. Whether HBA and PCA control registers are maintained.
- vii. Whether interest calculation of Advances is correct and vetted by PAO.
- viii. Whether reconveyance of Deed has been executed after obtaining No Dues Certificate from PAO.
- ix. Whether there are court/CAT cases regarding pensionary benefits? If yes, obtain full details. (Information available in legal cell to be obtained).
- x. Whether there are any cases of persons who have already retired from the office but whose pension cases/final payments of PF have not been finalised?
- xi. If so, the details of each case and reasons for the delay may be obtained in the following proforma:-

Sr. No	Name of the official	Designation	Date of retirement	Date of PPO	Date of GPO	Date of payment of Leave encashment	Date of payment of PF dues	Reason for delay	Remarks

D & RAC Section

8.30 D & RAC section purchase, issue and keep an account of all kinds of IT hardware/ software/ consumables. Annual maintenance contract for IT hardware and software is also concluded by the section. D & RAC section also help in capacity building by familiarising itself with standered software and packages obtained from C&AG office/sister organisations within IA&AD or from open market and conduct in-house training for staff members of this office as and when required. Constant updation of Data and application Software, Administration of department website and setting up and maintenance of LAN and to ensure data security is dealt by the section. D & RAC section also dealt with development of expertise in IT audit, data analytics of auditee organisation, word processing and formatting of Audit reports

8.31 The illustrative points to be seen in the internal test audit of D & RAC Section are as follows:

- i. What is the total number of PCs/Servers/Printers etc. in the office?
- ii. What is the number of total employees trained in computer (Cadre-wise/ Package-wise, including persons trained on their own outside office, persons who gained working knowledge by actual practice and self-study even though they might not have attended formal departmental training programmes)?
- iii. How many of the computer trained persons are working on computers?
- iv. Whether returns required to be sent by E-mail are sent to Headquarters by Email.
- v. Whether computer training programmes are arranged through RTIs and Inhouse trainings, as per instruction of Headquarters?
- vi. Whether Computers, UPS, LCD etc. were purchased during last four years? Entire details of the same may be obtained?
- vii. Whether the computers/hardwares were purchased from the GeM.
- viii. Whether proper records are maintained regarding all machines and equipments and whether any computers, printers or other machines are lying out of order? If so, details thereof may be obtained along with the dates from which they are lying out of order and action taken to get them repaired? In case any of them are unserviceable, the action taken to dispose them off may be verified
- ix. Whether annual physical verification was conducted? If so, when such last verification was done and with what results?
- x. Who are the annual maintenance contractors for computers etc.? What is the basis of selection of the contractors? Whether the annual maintenance rate exceeds 6% of the cost of the items? Whether AMC is given with prior approval of HQ/Competent Authority?
- xi. How is the performance of AMC contractor? In case of any dispute please give the details.
- xii. Has the office made appropriate arrangements for loading Akshar or similar package in computers used for communication in Hindi? Is there facility / compatibility of necessary fonts software in the computers used for receiving/ sending emails in Hindi? Please furnish information in the following proforma. Is it ensured that there is no pirated software in use.

Name of the Software	Number of Licenses	Total no of machines on	Number of machine on which installed along with location/ room number where the machine is placed

- xiii. Whether arrangements have been made for uninterrupted power supply to all computer machines. In this connection please furnish information in the following proforma :-

UPS (size in KVA)	Numbers	Total KVA
Machines	Nos covered under UPS	Nos. not covered under UPS
Servers		
PCs		
Printers		

- xiv. What is status of IT Audit in the office? Whether all the units required to be audited (Treasuries / Auditee Units) have been audited as per time schedule?

Hindi Section

- 8.32** Hindi section perform duties as mentioned in Rajbhasha Adhiniyam-1976. Hindi section translates draft paragraphs and audit reports into Hindi. It conducts training and workshops to promote working in Hindi.

The illustrative points to be seen in the internal test audit of Hindi Section are as follows: -

- i. Verify translation of all draft paragraphs to Hindi for inclusion in Hindi version of Audit Report.
- ii. Whether trainings are conducted as per guidelines.
- iii. Whether all reports and returns are being submitted as per the instructions.
- iv. Whether the Head of the Office is being informed to participate in the meeting of the Town official language Implementation Committee and after the meeting send it to the City Official Language Implementation Committee, Delhi periodically.
- v. Whether efforts are being made to encourage officials to work in Hindi and keep a track on percentage of work done in Hindi as per limits set by Rajbhasha Adhiniyam-1976.

Chapter 9

Internal Test Audit of Audit Group Sections

- 9.1 This chapter deals with internal test audit of the following sections of Audit Group:
1. Coordination Section
 2. IR Section
 3. Efficiency –cum- Performance Audit Section
 4. Report Section
 5. Appropriation Audit Section

Co-ordination Section

- 9.2 Co-ordination section works as a connecting link between CAG HQ office, O/o of DGADS and command offices. All audit plans viz. Annual audit plan, quarterly audit plan, monthly supervision plan etc and implementation thereon is dealt by Co-ordination section. Submission of various types of reports such as state of work report, arrear report, ADAI's Quarterly report on planning and conduct of audit, GO supervision report and Fraud and corruption report. Work related to Defence Audit Advisory Board (DAAB) and disposal of Audit Complains from C&AG office on working of Auditee units are also looked after by co-ordination section.

Following aspects, *inter alia*, of Co-ordination section should be checked during internal test audit:

9.3 **Audit Programme**

- i. What are the guiding factors behind formulation and framing of Audit Plan/ Programme of auditee organisations?
- ii. Is there requisite data base of the auditee organisations and mechanism existing to progressively update it?
- iii. Whether lists of units (moving out/in) were regularly received from all the local audit parties and auditee units and register of units updated.
- iv. Whether quarterly audit programmes for field parties and annual time programme of Central audit were prepared as per quantum and sent to DGADS in time
- v. While framing audit programme, whether
 - (a) percentage of units in number and amount of expenditure involved is worked out in proportion to total number of units and total expenditure, as per periodicity - annual, biennial, triennial and others?
 - (b) List of arrears at the beginning and end of the quarter is worked out.
 - (c) List of units scheduled in programme but not audited during a year's programme is worked out.
- vi. Collect and review the list of units not audited during last 5 years.

9.4 Programme Implementation

- i. Whether every deviation in the approved programme approved by DGADS.
- ii. Whether dates of actual audit as shown in the quarterly progress report are linked with the half yearly programme to check that approval of each of the changes/deviation was sought and to ensure that no change in programme exists without approval of the DGADS.
- iii. Whether man days available for local audit are fully utilized for that purpose only.
- iv. Whether local audit programme for quarter ending was intimated to field parties on receipt of approval of DGADS?
- v. Whether audit intimations are being issued well in 3 weeks advance?
- vi. Whether monthly supervision programme was forwarded to DGADS for prior approval and communicated to field audit parties.
- vii. If the supervision of any auditee unit was provided in two or more spells, whether it was ensured that the supervision was provided by the same officer?
- viii. Whether Group Officer/ Command Officer supervised the field parties for a minimum period of seven days in a month?
- ix. Whether there was any shortfall in supervision and, if so, reasons for the same.
- x. Whether group officer/command officers are submitting/sending a monthly tour note bringing out the achievement as a result of work done by them during supervision of field audit parties?

Inspection Report (IR) Section

9.5 IR section has been assigned with local audit of Ministry of Defence and other Headquarters Formations under Ministry of Defence. The observations based on scrutiny of papers (codes, manuals, indents, sanctions, contracts, supply order etc.) received/obtained from Ministry of Defence/Headquarters Formations are issued in the form of Audit Memos. Similarly, the observations based on Local Audit of Ministry of Defence and other units will be issued in the form of Local Test Audit Report (LTAR). The issue and disposal of items in Audit Memos and LTAR are watched by IR section.

9.6 Following aspects, *inter alia*, of IR section should be checked during internal test audit:

- i. Whether audit objectives have been drawn before commencement of audit of each unit/formation.
- ii. Whether the Plans and programmes so formulated take into account the past experience whether the areas which have potential to generate meaningful audit comments have been identified.
- iii. Whether the existing quantum of audit is able to deliver requisite results contemplated in the plans/programmes. If not, what action is being taken to address this issue?
- iv. Whether periodical meetings with field/central audit parties by Group Officer were held regularly and field parties are properly instructed/guided to have result oriented audit.
- v. Whether all outstanding LTARs and special enquiries were got examined and discussed by supervising Group Officer. Results of examinations in respect of special enquires

- and minutes of meeting clearly bringing out recommendation for settlement or otherwise sent to main office for further action?
- vi. Whether discussion by supervising Group Officer with Executives on the points raised during local audit was held in time i.e. during currency of local audit? If not, reasons for the delay had been recorded in each case and Command Officers' approval obtained and also indicated in the quarterly progress report for information of DGADS?
 - vii. Whether any record of original work done by Supervising Sr.AO/AO/Group Officer was kept in audit file to know their audit contribution.
 - viii. Whether members of audit party are changed when the same unit is taken up for audit on subsequent occasions as different members may have different angles to examine cases of similar nature.
 - ix. Whether any mechanism exists to watch / ensure that field parties have audited the documents as per prescribed percentage or more.

A check list for the scrutiny of LTAR files is given in Annexure A.

Annexure A

Sl No.	Check List	Attached with IR (Yes or NO)	Remarks
1	Whether format for planning audit procedure is being attached with the IRs? (Authority: Annexure I of Guidelines Note)		
2	Whether Data/Records are being collected for maintenance of Guard files? (Authority: Guidance Note)		
3	Whether sufficient and appropriate audit evidence have been gathered in support of audit finding? (Authority: Para 5.2 of compliance Audit Guidelines 2017)		
4	Whether the Paras in the IRs have been categorized appropriately as Part-II A and Part-IIB as envisaged in the Compliance Audit Guidelines? (Authority: Annexure III of the Guidance Note)		
5	Whether Forwarding/Edition Memo is being attached with IRs?		
6	Whether IRs are being issued within 30 days of the completion of Audit? (Authority: Para 6.4 of Compliance Audit Guidelines 2017)		
7	Whether IRs are being issued in Compliance Audit Guidelines format? (Authority: Para 6.5 of Compliance Audit Guidelines 2017)		

8	Whether Nil IRs are being well documented and are being issued after prior approval of the DG of the office? (Authority:8 (iv) guidance note)		
9	Whether Title sheet duly filled in along with annexure is being attached in the IRs? (Authority: Annexure-II comprising format A, B, C, D & F of guidance note)		
10	Whether certificate in respect of code of ethics by audit party is being attached in the IRs? (Authority: 3.24 of code of ethics for the IAAD)		
11	Whether documents related to selection of test months for detailed analysis checking of Arithmetic's accuracy & checking of receipt is being attached in IRs?		
12	Whether Measurement Books (MBs) in respect of audit of MES (in GEs) checked?		
13	Whether documents related to selection of works in MES for detailed analysis are being attached with A IRs?		
14	Whether documents related to checking of GPF and NPS of civil personnel employees in Army units are being attached in A IRs? (Authority para 243 of test audit manual Vol Part-B)		
15	Whether documents related to checking of service books of employees in MES units and PCDA's are being attached in IRs?		
16	Whether all the signature in the AIR are dated?		
17	Whether the outstanding paragraphs of previous Inspection Report are being reviewed during the conduct of Audit and their status is being included in the current inspection report? (Authority: Para 6.5 of compliance Audit guidelines 2017)		
18	Whether entry & exit conference has been properly recorded? (SI No. 05 & 11 Of Top sheet)		
19	Whether Work Distribution Note is attached with IR? (Authority: SI No.09 of Top sheet)		
20	Whether points to be seen in next audit register is maintained and the points were noted for carrying out sanctioning in current audit.		

21	Whether audit is completed as per approved plan.		
22	whether auditee profile/data/contact particulars indicate in the IR.		
23	Method of sample size is as per quantum of audit, budget details, if any indicated at the time of IR.		
24	whether grading of Inspection Report is being Attached With the AIR Authority: Para II (D) of Guidance Note		

Performance Audit Section

- 9.7 The duties of PA section have changed almost entirely with the introduction of Performance Audit in the IA&AD. All the performance audits are now required to be carried out strictly as per the new performance auditing guidelines finalized by the CAG's office in May 2004. The duties of PA were mainly planning, processing, progressing and finalising the reviews. It involves arranging of pilot study of topics proposed for performance audit, risk assessment of the topic, submission of proposals to CAG's office for ADAI's approval of the topic for performance audit, planning of field work of performance audit and drafting of consolidated performance audit reports.
- 9.8 Following points should receive special attention during internal test audit of PA Section:
- i. Whether topic for performance audit has been selected after pilot study of proposed topics and risk assessment of topics.
 - ii. Whether performance audit report state clearly the objectives and scope of the audit and the audit criteria used.
 - iii. Whether audit report contain tile, signature and date, subject matter viz. area of performance audit and legal basis of audit
 - iv. Whether views of the responsible officials of the audited programme concerning auditors' findings as well as corrections planned are incorporated in performance audit report.
 - v. Noteworthy accomplishments, if any, should also be made part of report
 - vi. Entity response should be secured at all stages of performance audit process.
 - vii. Whether standalone volume for each performance audit report is published or deviation from this only with authorisation.

Report section

- 9.9 This Section deals with the preparation of the Report of the Comptroller and Auditor General of India, Union Government (Defence Services). This Section is also responsible for the scrutiny of all Ministry of Defence and Ministry of Finance (Defence) papers dealing with the Public Accounts Committee's recommendations

emanating from the points included in the Report of the Comptroller and Auditor General of India, Union Government (Defence Services. Duties of Report Section involve scrutiny and processing of draft paragraphs for 1st journey for Audit Report. All related to Audit Report till its examination by PAC and submission of report pertaining to ATNs are dealt by Report Section.

9.10 Following points should receive special attention during internal test audit of Report Section:

- i. Whether all PDP cases were pursued vigorously to attempt DP.
- ii. What is the percentage of DPs attempted out of cases noted in the PDP register (Year wise)?
- iii. Whether all the inspection reports were finalized and issued within stipulated time of one month as per instructions of the CAG's office and in cases of delay, reasons recorded for further necessary action.
- iv. Whether audit committees were formed and their meetings with auditee organizations were regularly held to expedite the settlement of outstanding LTAR/Paras.
- v. Whether targets to attempt DP as fixed by DGADS were sub divided Sr.AO/AAO/SO(A) wise and achieved fully and record of targets achieved individual wise was maintained.
- vi. In order to assess the performance, whether achievements/list of contribution of PDP cases by each Sr.AO/AO and AAO/SO vis-à-vis cases on which DPs issued and finally featured in the Audit Report is being maintained?

Financial Audit Section

9.11 The Financial Accounts of Defence Services is prepared by the Secretary (Defence Finance) and countersigned by Secretary (Ministry of Defence). It is audited by the Director General of Audit, Defence Services, New Delhi and a certificate rendered to the C&AG of India. The C&AG of India certifies these Accounts in pursuance of the provisions of the Article 149 and 151 of the Constitution of India and C&AG's (DPC) Act 1971 and submits to the President of India along with Report thereon for being laid before the Parliament.

Financial Audit section performs audit scrutiny of Financial Accounts, preparation of Chapter-I on Financial aspects for its inclusion in the Audit Report, Defence Services. Vetting of Head-wise Appropriation Accounts in respect of grants relating to Ministry of Defence Civil, Defence Pensions and Defence Services portion of Combined Finance and Revenue Accounts is done by Financial Audit Section. Financial Audit Section also vet Action Taken Notes against paragraphs on Appropriation Accounts, defence Services included in the Civil Report No. 1 prepared by the DGACR office and ATNs against PAC's recommendations.

9.12 Following points should receive special attention during internal test audit of Financial Audit Section:

- i. whether it has been verified that the accounts prepared are correct and complete in all respects
- ii. whether it has been verified that the systems followed in the compilation of accounts leading to the Finance Accounts and Appropriation Accounts are satisfactory and fault free.
- iii. whether it has been verified that the moneys shown in the accounts as having been disbursed were legally available for and applicable to the service or purpose to which they have been charged or applied.
- iv. whether the savings of Rs 100 crore and above, noticed in any grant whether in charged or voted segment is commented upon through an audit paragraph, which requires furnishing of the Explanatory Notes by the Ministry to the PAC duly vetted by audit.
- v. whether the heads of accounts where the expenditure is unusually high or low with reference to the allocations, if noticed, are commented upon.
- vi. whether any rush of expenditure in the month of March, if noticed, is commented upon.
- vii. whether the important cases of Major Financial Accounting Irregularity (MFAI) included in the CGDA Certificate are reported to the respective Audit Groups in the DGADS office by the Appropriation Audit apart from conveying the same to the Command Offices concerned for detailed examination.

Chapter 10

Documentation

- 10.1.** The ITA Team should adequately document the audit evidence in working papers, including the basis and extent of the planning, work performed and the findings of the audit. Working papers should contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditor's significant findings and conclusions.

Importance of adequate documentation

- 10.2.** Adequate documentation is important for several reasons. It will:
- a) Confirm and support the auditor's opinions and reports
 - b) Increase the efficiency and effectiveness of the audit
 - c) Serve as a source of information for preparing reports or answering any enquiries
 - d) Serve as evidence of the auditor's compliance with Auditing Standards
 - e) Facilitate planning and supervision
 - f) Help the auditor's professional development
 - g) Help to ensure that delegated work has been satisfactorily performed
 - h) Provide evidence of work done for future reference
- 10.3.** The ITA team should bear in mind that the content and arrangement of the working papers reflect the degree of the auditor's proficiency, experience and knowledge.
- 10.4.** The ITA report must be based on competent, relevant and reasonable evidence. The audit should be planned to achieve this. The evidence is gathered by the audit party and conclusions are drawn from the tests carried out. The review of the audit by senior officers must assess the adequacy of the evidence and the reasonableness of the conclusions reached. The Officers responsible for the audit work should know that all this has been carried out properly. Good documentation is, therefore, vital to show the quality of the audit attained.
- 10.5.** Every matter relevant to the audit should be recorded concisely. The referencing of documents is especially important to show the way through the papers. The aim should be to make it easy for anybody not previously involved with the audit (for example, another auditor who for some reason must take over the audit) and for senior officers reviewing the documentation, to see exactly what has been done and the conclusions reached. The auditor knows exactly what he has done and what views he has formed; the documentation must make sure that other people examining the documentation are put in the same position.

Document files

- 10.6.** A standard method of filing documents is essential. The filing method should recognise that documents fall into two categories:
- those relevant to the audit of the section / group under audit generally

- those relevant only to the audit of the section / group under audit for a particular period
- 10.7.** The documents to which the auditor needs to refer each year should be placed on a Standing File. This file should contain current information about the section / group itself, such as:
- organisation chart and key personnel
 - description of accounting systems
 - manuals
 - systems evaluations
 - relevant job descriptions and authority limits
 - list of locations and of main books of record or account
 - specimen copies of formats of registers (like SY 328, GAR 9, GAR 10, etc.)
 - formulae for reference in items of work like staff proposals, calculation of man-days for internal and external arrears
 - time targeted / prescribed for various items of work like finalisation of pension cases, GPF final payments, issue of Inspection Reports, etc.
 - specimen copies of documents, extracts of records and reports
 - previous ITA reports
 - previous reports of Directorate of Inspection.
- 10.8.** The documents relevant to the audit for a particular period should be filed in a manner which brings together related working papers in a series of folders (or in separate sections within folders).
- 10.9.** The working paper folders should include documentation which shows:
- the names of audit personnel who carried out the audit work
 - audit work plan
 - audit test programme
 - the dates when the audit work was done by the respective audit personnel
 - the sources of the information / evidence obtained
 - the nature and purpose of the audit tests carried out and the results obtained
 - follow-up records and correspondence
- 10.10.** It is important to note that each audit conclusion reached should be recorded clearly.

Chapter 11

Reporting and Follow-up

Reporting

- 11.01.** The ITA may use comprehensive checklists / questionnaires for eliciting information and planning the audit. In many cases non-compliance with an item in the check list does not automatically warrant an audit comment. In case some control is missing, audit should check for compensating control. Besides, each item needs to be evaluated based on overall circumstances in which deviation occurred. Audit reports should be carefully drafted taking into account the replies given at various stages and the result of interview and discussions. The report should indicate specific irregularities followed by recommendation(s) and not merely narration of facts.
- 11.02.** There should be only one report pertaining to one section say, Administration, Cash Section, Report Section etc. at a point of time. The unsettled paras of the previous report should be updated with remarks that no action was taken since last verification. Such paras should also be clubbed in one part of the report. The reports of internal test audit should be prepared in two parts, viz., Part A and Part B. Part A will contain more important and serious defects, irregularities noticed in the internal test audit. Part B will contain less important and routine remarks. These reports will be prepared in duplicate and forwarded to the section concerned after it is discussed by the IAO with the Branch Officer and the Supervisory Group Officer. The section shall retain one copy for its use and reference and return the other copy to ITA after complying with the remarks. After the receipt of reports from the sections, the correctness of the replies should be test checked by ITA and the report with further remarks of ITA should be submitted to the DGADS. After all the points are settled, the report should be closed under the orders of the DGADS after due scrutiny and suitable note of closure of the Report included at the time of submission of synopsis of the Report to the DGADS.

Time Schedule

- 11.03.** Completion of Internal Test Audit, issue of reports, closing of the reports etc. may be regulated as per the following time schedule, or such tighter schedule as may be prescribed by the HoD.

(i) Completion of internal test audit	As per plan approved by DGADS
(ii) Issue of Test ITA Memos	Within 20 working days The Test Memos should be issued during the course of inspection, wherever necessary. The last batch of Memos should be issued

	within 3 days of completion of internal test audit.
(iii) Return of Test Audit Memos	<p>Within 10 days of receipt of Test Audit Memos in the Section</p> <p>The period of 10 days allowed for furnishing replies to ITA Memos is only to give the section audited an opportunity to verify the facts, etc. If, however, the replies to ITA Memos are not received within the period prescribed, the ITA Reports should be finalised and issued without waiting for the replies to ITA Memos.</p>
(iv) Issue of Report	Within 15 days of completion of internal test audit / within 2 days of receipt of DGADS' orders on the ITA Report
(v) Furnishing of replies to the ITA Reports by the Section	<p>Within one month of receipt of Audit Reports by the Section.</p> <p>If any difficulty is anticipated in adhering to the stipulated date, the matter should be brought to the notice of the Group Officer who after satisfying himself would recommend suitable extension of time and take the order of DGADS in this regard.</p>
(vi) Submission of the report to the DGADS with further remarks of ITA for orders for final settlement / further pursuance	Within 10 working days on receipt of the report in the Section

Follow-up in next audit

11.04. At the time of internal test audit of each section, the position of outstanding items in the previous report pertaining to that section should be verified. Such of the outstanding items which cannot be settled may be incorporated in the latest report and the old ITA Report treated as closed.

Chapter 12

Quality Assurance in Internal Test Audit

- 12.1.** The HoD should develop and maintain a quality assurance and improvement programme that covers all aspects of the ITA activity and continuously monitors its effectiveness. This programme includes periodic internal quality assessments and ongoing internal monitoring. Each part of the programme should be designed to help the ITA activity add value and improve the operations of the office and to provide assurance that the ITA activity is in conformity with the prescribed framework, standards and instructions.
- 12.2.** The ITA activity should adopt a process to monitor and assess the overall effectiveness of the quality program. The process should include both internal and external assessments.

Quality Programme Assessments

- 12.3.** The HoD of field office shall be responsible for implementing processes that are designed to provide reasonable assurance to the various stakeholders of the ITA activity that it:
- performs in accordance with prescribed framework, standard and instructions
 - operates in an effective manner
 - perceived by those stakeholders as adding value and improving the organization's operations.
- 12.4.** These processes should include appropriate supervision, periodic internal assessment and ongoing monitoring of quality assurance and periodic external assessments.
- 12.5.** Monitoring should include ongoing measurements and analyses of performance metrics, e.g. cycle time and recommendations accepted.
- 12.6.** Assessments should evaluate and conclude on the quality of the internal test audit activity and lead to recommendations for appropriate improvements. Assessments of quality programmes should include evaluation of :
- compliance with the prescribed framework, standards and instructions
 - adequacy of the ITA activity's scope, goals, objectives, policies and procedures
 - contribution to the risk management, governance and control processes of the office
 - effectiveness of continuous improvement activities and adoption of best practices
 - whether the auditing activity adds value and improves the operations of the office.

Continuous Improvement

- 12.7.** All quality improvement efforts should include a communication process designed to facilitate appropriate modification of resources, technology, processes and procedures as indicated by monitoring and assessment activities.

Internal Assessments

12.8. Internal assessments should include:

- ongoing reviews of the performance of the ITA activity
- periodic reviews performed through self-assessment or by other persons within the organization, with knowledge of internal test auditing practices and prescribed framework, standards and instructions.

12.9. Ongoing assessments may be conducted through:

- supervision during internal test audit assignments
- checklists and other means to provide assurance that processes adopted by the audit activity are being followed
- feedback from Group Officers and Branch Officers
- observations of Inspection Parties from Headquarters Office
- observations of Peer Review Groups carrying peer review of the office
- analyses of performance metrics (e.g. cycle time and recommendations accepted),
- adherence to time frame or time budgets, audit plan completion, compliance to internal test audit observations, recoveries effected, etc.

12.10. Conclusions should be developed as to the quality of ongoing performance and follow-up action should be taken to ensure that appropriate improvements are implemented.

12.11. Periodic assessment should be designed to assess compliance with the activity's prescribed framework, standards and instructions and the efficiency and effectiveness of the activity in meeting the needs of its various stakeholders.

12.12. Periodic assessments may:

- include more in-depth interviews and surveys of stakeholders group (for example, Group Officers and Branch Officers)
- be performed by members of the ITA activity (self-assessment)
- be performed by other competent audit professionals, currently assigned elsewhere in the office,
- encompass a combination of self-assessment and preparation of materials subsequently reviewed by other competent audit professionals, from elsewhere in the office
- include benchmarking of the internal test audit practices and performance metrics against relevant best practices of other field offices

12.13. Conclusions should be developed as to the quality of performance and appropriate action initiated to achieve improvements and conformity to prescribed framework, standards and instructions, as necessary.

12.14. The HoD should establish a structure for reporting results of periodic reviews that maintains appropriate credibility and objectivity. Generally, those assigned responsibility for conducting ongoing and periodic reviews should report to the HoD while performing the reviews and should communicate their results directly to the HoD.

- 12.15.** The HoD should share the results of internal assessments and necessary action plans with appropriate persons outside the activity, such as Group Officers, Director General of Inspection at Headquarters Office and Team Leaders of Peer Review Groups carrying peer review of the office.

External Assessments

- 12.16.** External assessments, such as quality assurance reviews, should be conducted at least once in every five years by a qualified, independent reviewer or review team from another field office or Headquarters.
- 12.17.** External assessments of an ITA activity should appraise and express an opinion as to the ITA activity's compliance with the prescribed framework, standards and instructions and, as appropriate, should include recommendations for improvement. These reviews can have considerable value to the HoD, IAO and other members of the ITA activity. Only properly qualified persons should perform such reviews.
- 12.18.** External reviewers, including those who validate self-assessment, should be independent of the office and of the ITA activity. The review team should consist of individuals who are competent in the professional practice of internal test auditing.
- 12.19.** The office that is performing the external assessment, the members of the review team and any other individuals who participate in the assessment should be free from any obligation to, or interest in, the office that is the subject of the review or its personnel. Individuals who are in another department of that office, although organizationally separate from the ITA activity, are not considered independent for purposes of conducting an external assessment.
- 12.20.** Reciprocal peer reviews between two field offices should not be performed.
- 12.21.** The external assessments should consist of a broad scope of coverage that includes the following elements of the ITA activity:
- compliance with prescribed framework, standards and instructions, plans, policies, procedures and practices
 - the expectations from the ITA activity expressed by the HoD, Group Officers
 - the integration of the ITA activity into the organization's governance process, including the attendant relationships between and among the key groups involved in that process
 - the tool and techniques employed by the internal test audit activity
 - the mix of knowledge, experience and disciplines within the staff, including staff focus on process improvement
 - the determination whether the audit activity adds value and improves the operations of the office.

Self-Assessment with Independent Validation

- 12.22.** An alternative process is for the HoD to arrange a self-assessment with independent external validation with the following features:

- a comprehensive and fully documented self-assessment process.
- an independent on-site validation by a qualified reviewer (as explained above).
- economical time and resource requirements.

Some best practices in internal test auditing activity

- 12.23.** The following are considered as some of the best practices in ITA activity.
- obtaining an understanding of auditees (the sections of the office under ITA), so as to satisfy their needs.
 - applying quality principles and developing performance measures
 - auditing operations as well as controls to improve entity performance
 - serving as an agent for change in the organization
 - communicating regularly within the ITA activity and with auditees and other stakeholders
 - integrating information technology and auditing
 - emphasizing the professional satisfaction of the internal auditors.
- 12.24.** The HoD should share the results of external quality assessments with the various stakeholders of the activity like Group Officers and Director General of Inspection at Headquarters as well as the Team Leaders of Peer Review Groups, carrying peer review of the field office.

Chapter 13

Relationship between ITA and Directorate of Inspection

- 13.1.** The ITA Sections can usefully supplement the work of the DG (Inspection) and also serve as liaison between him and the office in pursuing the objections raised by him till their final settlement and issuing instructions to ensure that the irregularities pointed out by him do not recur.
- 13.2.** The DG (Inspection) at Headquarters Office will be the nodal section for overseeing the work of ITA Section. When an Inspection Party goes for field inspection, it reviews the functioning of the ITA Section. The ITA Sections can investigate the procedural omissions, irregularities and audit lapses brought to notice by the DG (Inspection) and submit appraisal reports of the work done by the ITA Section to the DG (Inspection).
- 13.3.** While ITA is an instrument of control available to the Heads of field offices, DG (Inspection) can be helpful to CAG in formulating general policies in rectification of persistent defects in particular areas.
- 13.4.** While it is necessary to bring important lapses in the management of field offices to the notice of CAG by the DG (Inspection), routine and procedural lapses can be left to be dealt finally by the heads of the field offices through their ITA Sections.
- 13.5.** For the guidance of ITA Sections in field offices, in October, 2003 DG (Inspection) has issued a Best Practice Guide which was also placed on CAG intranet. The guidelines in the Best Practice Guide are not to be taken as exhaustive but to be referred as ready reckoner to activate various groups and controlling sections concerned through their ITA Section.
- 13.6.** The ITA Section will co-ordinate the field inspection by the parties of the DG (Inspection). It can also be entrusted with the work of co-ordinating the peer review work in the office.
- 13.7.** The replies to the reports of the DG (Inspection) should be vetted by the ITA Section and submitted to DG (Inspection).

Appendix-1
(Para 3.2)

DGADS has accorded approval of following charter of duties and composition of ITA section vide office order Part-1 No.04 dated 18.01.2022.

Composition of ITA Section

Sl No.	Name of Post	Sanction Strength
1	Senior Audit Officer	01
2	Assistant Audit Officer	02
3	Sr. Auditor/Auditor/DEO/CT	04
4	MTS	01

Charter of duties of Internal Test Audit Section

1. Preparation of plan of ITA every year based on proper risk-assessment in selection of sections.
2. Checking of maintenance of portfolio files.
3. Scrutiny of the adequacy or otherwise of the existing arrangements for audit and review.
4. Test check of records of receipt, approval, issue and pursuance of Inspection reports with a view to ascertain whether there was any laxity at any stage.
5. Test check of Sections and Branch offices.
6. Monitoring of the Implementation of important office orders issued from time to time.
7. Investigation of important arrears.
8. Half-yearly review of cash book.
9. Test check of service books of personnel.
10. Scrutiny of the list of personnel staff who would be completing 30 years of service or attaining 55 years of age.
11. Independent scrutiny of details in support of Budget proposals of different wings.
12. Check of statistics of regular, temporary and casual staff.
13. Check of rosters maintained for reservation of vacancies for candidates belonging to Scheduled Castes and Tribes.
14. Check of list of candidates appearing in SAS Examination in term of paragraphs 9.2.3 of the MSO (Admin), Volume-I.
15. Check of Honorarium and Overtime claims.
16. Check of Gradation list.
17. Review of complaints addressed to the CAG/DGADS.
18. Review of calendar of Returns of all sections.
19. Liaison between the Inspection team and the Sections during the inspection of the office.
20. Investigation of procedural omissions, irregularities and audit lapses brought to notice by the Director General.

21. Submission of half-yearly appraisal report of the work done by the ITA section to the DGADS
22. Internal check of documents/files/registers maintained by Data & Risk Analysis Cell
23. Test check of payment/pensions cases dealt by PAO section.
24. Report and PA section:
 - Target and Achievement of draft Paras/Performance Audit/Thematic Audit.
 - Conversion of PDPs into Dos and Printed Paras.
25. Audit Group and Coordination Section:
 - Preparation and execution of Annual Audit Plan
 - Outstanding IRs/Paras
 - Adhoc Committee Meeting (ACM)/Tripartite meeting
 - Review of ATNs
 - Review of IRs by HoD
 - Meeting with field parties
26. Any other issue directed by DGADS.

