



Government of India

OFFICE OF THE ACCOUNTANT GENERAL (A&E) ASSAM

GUWAHATI – 781 029

**MANUAL OF THE
TREASURY INSPECTION SECTION**

ISSUED BY

OFFICE OF THE ACCOUNTANT GENERAL (A & E) ASSAM

Preface

The work of inspection of treasuries and sub-treasuries was entrusted to the Pr.A.G (A&E) with effect from 1.4.91. Treasury inspection is an important area of work in Pr.A.G (A&E) offices. The inspection of treasuries includes checking of procedural aspects as well as regularity of transactions taking place at treasuries and sub-treasuries. As per Headquarters instructions, important items in the inspection reports meriting consideration for being featured in the Audit Report are to be brought to notice of Pr.A.G (Audit) for appropriate action by the Pr.A.G (A&E) office.

The performance of the Treasury Inspection Parties will largely depend on the knowledge possessed by them about various treasury functions and the items of work which are to be checked by them in the field inspections.

The Treasury Inspection Manual has been prepared with a view to acquaint all the staff engaged in Treasury Inspection works with the areas of work to be inspected during field inspection as well as the functions of the Treasuries. I am hopeful that this Manual will help the Treasury Inspection Parties to ensure detailed checking of treasury functions and the Administration to ensure accountability of Treasury Inspection Party officials at all levels.

The Assistant Accounts Officer in charge of Treasury Inspection Cell is responsible for keeping this manual updated regularly.

Guwahati
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CHAPTER-I
INTRODUCTION

Under Section 18 of C&AG's (Duties, Powers & Conditions of Service) Act, 1971

Para 1 1. The Comptroller & Auditor General of India shall in consultation with the performance of his duties under this Act., have authority:

- a) to inspect any office of accounts under the control of the Union or of a State, including treasuries and such offices responsible for the keeping of initial or subsidiary accounts, as submit accounts to him;
- b) to require that any accounts, books, papers and other documents which deal with or form the basis of or otherwise relevant to the transactions to such place as he may appoint for his inspection;
- c) to put such questions or make sure observations as he may consider necessary, to the person in charge of the office and to call for such information as he may require for the preparation of any account or report which it is duty to prepare.

2. The person in charge of any office or department, the accounts of which have to be inspected and audited by the Comptroller & Auditor General shall afford all facilities for such inspection and comply with the requests for information in a complete form as possible and with all reasonable expedition.

Note: The Comptroller & Auditor General of India and the Government of Assam have agreed to the inspection of treasuries in the State of Assam by the Audit Department.

Responsibility for the Proper Management of Treasuries

Para 2 The Responsibility for the proper management and working of the treasury rests entirely (under overall supervision of the Deputy Commissioner) with the Treasury Officer acting under the orders of the Finance Secretary, as the Administrative Secretary for the Treasury and Accounts Department.

The Treasury Officer is personally responsible to Government for the due accounting of all moneys received and disbursed and for the safe custody of Cash, Notes, Stamps, Securities and other Government property.

Inspection by Principal Accountant General (A&E)'s Office and working instructions for the guidance of the Treasury Officer.

Para 3 Orders regarding inspection of treasuries are laid down in MSO (A&E), Vol-I and should be carefully borne in mind by the Inspection staff. Detailed instructions are given in the succeeding paragraphs. They should not, however, be taken as exhaustive. The Inspecting Officer should use his discretion as to the exact degree of detailed check,

which should be applied in respect of any particular item of work having regard to the state of affairs before him.

Note: As per the instructions contained in H.Q's Letter No. 5/3-O&M/8-91 dated 13.2.1991, the work of Inspection of Treasuries shall be done by the Principal Accountant General (A&E).

Para 4 The primary objective of the Inspection of Treasuries by the IA&AD is to assist the revenue authorities and not to relieve them of their responsibilities in the matter of frequent check and supervision. The audit inspection is not a local audit of treasury accounts and will not, therefore, extend to detailed examination of each and every item of receipt and disbursement. All that is intended to check generally

- (i) that the rules prescribed by the competent authorities, in the matter of financial transaction are duly observed,
- (ii) the procedure observed at treasuries meets all the requirements of audit, that the accounts are properly maintained and
- (iii) that the orders in force regarding the custody and handling of treasure etc. are observed. The Inspecting Officer from the Audit Department will not be required to verify by actual count the balance of cash, stamps etc. which duly devolves upon the revenue authorities.

Treasuries shall be inspected from time to time during the course of a year but as far as possible a treasury shall not be inspected during the first and last three days of a month in order to enable it to complete the accounts of the month.

Para 5 All treasuries including sub-treasuries shall be inspected each year and annual audit plans for audit of treasuries and sub-treasuries shall be drawn accordingly.

Authority: CAG's Letter No.85-AC.I/20-97 dated 10.10.97

Para 6 Inspections should be complete and thorough in respect of the transactions covered by them. The Inspection Officer should avoid general or vague remarks in the Inspection Reports and should always substantiate the objections raised by them with facts and by quoting rules or orders infringed. They should also bring out all the aspects of an irregularity and full implications of a certain rule or order thus violated. The extent of losses/excesses detected by them should invariably be worked out.

Para 7 The Inspection Officer should try to get all the facts and explanations on the spot. Whenever satisfactory explanation is not forthcoming and the Inspecting Officer feels that the points raised by him are so important that they may ultimately find a place in the Audit Report to be submitted to the Legislature, he should take particular care to clinch all the issues involved, to collect all relevant information and also take attested copies of those documents which are likely to be useful in pursuing the matter.

Para 8 The Inspecting Officer should incorporate all the facts and arguments necessary for the preparation of a draft para so as to obviate the necessity of back reference and consequential delay in the finalization of the draft paras.

The Inspecting Officers are expected:

- i. to guide their staff
- ii. to do certain amount of initial work
- iii. to examine with reference to the initial documents all important points raised by the staff.

Para 9 Each Inspecting Officer should write out the report himself and not leave it to his subordinates. The Inspecting Officer should submit a soft copy as well as a hard copy of the Inspection Report to the Treasury Inspection Cell within 5 working days on returning to Headquarters. Along with the Inspection Report, the Inspecting Officer should also furnish a statement indicating therein in detail the allocation of work amongst the various members of the party. This may be considered an important item of inspection because otherwise it may not otherwise be possible to fix responsibility for failure of inspection for want of actual distribution of work. Treasury Inspection Cell will watch the receipt of this statement while editing the report.

Authority: CAG's letter No. 3010-ADMN-I/463-60 dated 22.1.62 received with endorsement No. OA/NCW-1/1-53/7893 dated 1.10.62.

Para 10 The pursuance and final disposal of objections raised in the Inspection Report should be given utmost importance and vigorous action taken to eliminate delays.

Para 11 While drafting the Inspection Report, abbreviations should not at all be used by the Inspecting Officer. In all cases, complete words should invariably be written in reports.

Para 12 It has been decided in consultation with the Finance Department of the Government of Assam that all the Treasury Officers/Sub-Treasury Officers should send to this office the first reply to the Inspection Report of the Treasuries/Sub-Treasuries within one month from the date of issue of the Inspection Report. It has also been ordered by the C&AG of India that the Inspection Reports should be issued by the Pr.A.G within one month from the date of completion of the inspection.

Authority: CAG's letter No. 1895-ADMN-III/268-60 dated 2.9.60

Note: If annotated reply to an Inspection Report is not received within one month from the date of issue, a reminder should be issued to the Treasury Officer/Sub-Treasury Officer under intimation to the Finance Department/Director of Accounts & Treasuries.

Para 13 A list of Inspection Reports for which first reply is not received within one month from the date of issue should be prepared in the form given below and sent to the Finance Department by the 5th of each month. They should be asked to furnish progress report in regard to the disposal of Inspection Reports within one month. The covering letter should indicate as to how many reports have remained un-replied for over six months, over one year and over two years. In case there are no such cases, no report will be sent to the Finance Department.

Form

Sl No	Name of the Treasury	No. & date of reference with which Inspection Report was issued	Over one month	Over six months	Over one year	Over two years
1	2	3	4	5	6	7

Para 14 The documents and information to be supplied to the Inspection officer from the Treasury Inspection Cell are detailed below. These should be sent to the Inspecting Officer well in time so as to reach him at least a day earlier than the commencement of inspection:

- i. Plus and Minus memoranda of stamps, deposits and local funds in respect of the latest month available in the office.
- ii. Instances of delay in replying to the communication of this office.
- iii. Any other matter desired to be looked into locally.
- iv. A statement of outstanding objections and references.

Note 1 The Inspecting Officer should pay attention for settlement of the outstanding paras/Inspection Reports. The Inspecting Officer should devote sufficient time to this item of work. He should take severe notice in his current report of irregularities detailed in the previous Inspection Reports which have not since been corrected.

Note 2 The Inspecting Officer while commenting on the defects/irregularities in respect of each topic may also give attention to the following:

- i. Outstanding objections from the previous reports and their position in the current report.
- ii. Irregularities which are persisting, by giving specific instances with year wise details.
- iii. The major irregularities and the irregularities which, though not considered major yet, require a specific notice of the higher authorities and pursuance with them.
- iv. The minor irregularities of all topics may be brought in an Inspection Note.

Para 15 (a) An Inspecting Officer when proceeding on treasury inspection direct from headquarters should see the DAG(A/Cs)/Pr.AG and obtain his orders, if necessary, in regard to any special point supplied by Treasury Inspection Cell. Similarly, when some special points are supplied to him for investigation at a place other than the headquarters he may on return from inspection see the DAG(A/Cs)/Pr.AG in connection with such special points if necessary.

(b) The responsibilities of the Inspecting Officer for inspection work are defined in M.S.O. (A&E). He should see that the work done by himself and his staff is carried out strictly in accordance with the rules. The important items of work to which the Inspecting Officer should devote his personal attention are detailed in Para 22 to this Chapter. He is at liberty to examine any other point, which he may consider necessary. It should, however, be clearly understood that the introduction of this list

does not in any way diminish his responsibility for the supervision of the inspection as a whole.

(c) As a normal procedure, the Inspecting Officer should before commencement of inspection make it a point to call on the Deputy Commissioner, if at the station, otherwise on the Treasury Officer to ascertain from him whether with a view to simplify accounts and curtail obsolete or unnecessary accounts he has any suggestions for investigation on the spot. If the Deputy Commissioner returns to headquarters during the course of Inspection, the enquiry should be made from him.

(d) The Inspecting Officer will then examine the suggestions and also other matters, which come to his notice. Before the conclusion of the inspection he should personally discuss with the Deputy Commissioner or with the Treasury Officer, if the former is on tour, the results of his examination which should be set forth in a brief in the Inspection Report in two parts – 1st relating to Currency and Resource & Public Debt matters and 2nd dealing with other matters.

(e) The Inspection Report should be signed after it has been discussed with the Deputy Commissioner or with the Treasury Officer who should properly verify the facts mentioned in the Audit objections noticed during the local inspection and should record an endorsement “discussed and facts verified” on the draft of the Inspection Report. It should be accompanied by a note by the Inspecting Officer enumerating the items which involve considerable losses or other irregularities of great importance.

(f) The record will be edited in the Central Office by Treasury Inspection Cell and the Sr.AO/AO in charge of Treasury Inspection Cell. It will then be put up to the Deputy Accountant General (A/Cs) for his scrutiny and orders. After this, one copy each of the report will be forwarded to the Treasury Officer/Sub-Treasury Officer, Secretary, Finance Department & Director of Accounts & Treasuries, Deputy Commissioner/Sub-Divisional Officer of the treasury concerned. The record should be pursued by Treasury Inspection Cell till its finality unless some orders of the Deputy Accountant General (A/Cs) are necessary. In case where the Inspecting Officers have failed in their duties, memos should be issued to them under signatures of the Deputy Accountant General (A/Cs).

Para 16 Before commencement of inspection, Treasury Inspection Cell should ascertain from the Currency Officer and the Manager, RBI in charge of Public Debt Work of Assam Government whether there are any special matters which they may wish to be investigated on the spot.

Para 17 The Assam Government has issued instructions to all Deputy Commissioners in Assam to see that the Inspecting Officers of the Audit Department are afforded necessary facilities.

DURATION OF INSPECTION OF TREASURIES / SUB-TREASURIES AND COMPOSITION OF INSPECTION PARTIES

Para 18 (a) 7 working days and 3 working days shall be allowed for the inspection of District Treasury and Sub-Treasury respectively.

(b) Composition of Parties for conducting inspection of Treasuries/Sub-Treasuries will be one AAO, one Section Officer and one Senior Accountant/Accountant with cent percent supervision by the Sr. Accounts Officer/Accounts Officer.

Authority: CAG's letter No. 981/TA-1/164-83 dated 6.9.84.

Note: Due to staff shortage, Party consisting of one Sr.AO/AO, one AAO and one Senior Accountant/Accountant is currently being sent for treasury inspection under the orders of Principal Accountant General.

(c) With a view to make the Treasury Inspection more effective and constructive, it has been decided that Group Supervisory Officers will supervise the more important inspections covering a few treasuries every month.

Authority: CAG's letter No. 587-AC-I/SP-III/20-97 dated 25.9.98.

List of Treasuries and Sub-Treasuries in Assam

Sl. No.	Name of Treasuries	Name of Sub-Treasuries
01	Barpeta Treasury	(i) Pathsala Sub-Treasury
02	Bongaigaon Treasury	(i) Abhayapuri Sub-Treasury
03	Cachar Treasury	(i) New Silchar Sub-Treasury
04	Dhemaji Treasury	(i) Jonai Sub-Treasury
05	Dhubri Treasury	(i) Bilasipara Sub-Treasury
06	Dibrugarh Treasury	(i) Naharkatia Sub-Treasury
07	Diphu Treasury	(i) Hamren Sub-Treasury (ii) Bokajan Sub-Treasury
08	Dispur Treasury	---
09	Goalpara Treasury	---
10	Golaghat Treasury	(i) Dergaon Sub-Treasury (ii) Sarupathar Sub-Treasury (iii) Bokakhat Sub-Treasury
11	Haflong Treasury	(i) Maibong Sub-Treasury
12	Hailakandi Treasury	---
13	Jorhat Treasury	(i) Gormur Sub-Treasury (ii) Titabor Sub-Treasury
14	Kamrup Treasury	(i) Rangia Sub-Treasury
15	Karimganj Treasury	(i) Badarpur Sub-Treasury (ii) Ramkrishna Nagar Sub-Treasury
16	Kokrajhar Treasury	(i) Gosaigaon
17	Lakhimpur Treasury	(i) Bihpuria Sub-Treasury (ii) Dhakhuakhana Sub-Treasury
18	Mangaldoi Treasury	(i) Udalguri Sub-Treasury
19	Morigaon Treasury	---
20	Nagaon Treasury	(i) Kaliabor Sub-Treasury (ii) Hojai Sub-Treasury
21	Nalbari Treasury	(i) Belsor Sub-Treasury (ii) Tihu Sub-Treasury
22	New Guwahati Treasury	---
23	Shillong Treasury	---
24	Sivasagar Treasury	(i) Sonari Sub-Treasury (ii) Nazira Sub-Treasury
25	Sonitpur Treasury	(i) Rangapara Sub-Treasury (ii) Gohpur Sub-Treasury (iii) Biswanath Chariali Sub-Treasury
26	Tinsukia Treasury	(i) Chapakhowa Sub-Treasury (ii) Margharita Sub-Treasury
Total	26 Treasuries	32 Sub-Treasuries

INSPECTION OF TREASURIES AND SUB-TREASURIES BY THE DEPUTY COMMISSIONER

Para 19 In addition to the inspection carried out by the officers of the Audit Department, all treasuries are required to be inspected by the Deputy Commissioner concerned during the financial year vide T.R. 4 of Assam Treasury Rules and Subsidiary Rules.

REVIEW ON THE WORKING OF TREASURIES

Para 20 In pursuance of the provision of para 20.17 of M.S.O. (A&E), annual review on the working of treasuries has to be prepared and submitted to the Headquarters office as well as the Finance Department by 10th July each year. The review is to be prepared in the format prescribed by Headquarters office and should consist of four parts viz. Part-I – Introductory; Part-II – Defects noticed during compilation and verification of accounts; Part-III – Defects and other irregularities noticed during inspection of treasuries and Part-IV – Annual review report on working of PAOs. Part-IV, however, is not applicable to this office as PAO set up is not in existence in the State of Assam.

(CAG's D.O. No. 357-AC-I/SP-III/5-2005 Vol.I dated 31.8.2007)

Note 1: “Comments regarding strong room, fire fighting arrangements, cipher code, pad locks and keys etc. which are primarily administrative affairs should not be included in the Review on the Working of Treasuries. These subjects should, however, be commented upon and brought to the notice of the administrative authorities through Inspection Reports.

INSPECTION OF TREASURIES AND OFFICE OF THE DIRECTOR OF ACCOUNTS & TREASURIES BY THE PRINCIPAL ACCOUNTANT GENERAL (A&E).

Para 21 (i) The question of entrusting work of inspection of treasuries presently being done by the Pr.A.G (Audit) has been under consideration of this office for some time past. The objective of treasury inspection being primarily a verification to ensure whether the various checks and procedures prescribed for preparation of initial accounts are duly complied with by the treasuries and in consideration of the fact that the annual report on the working of the treasuries is being prepared by the Pr.A.G (A&E), it has been decided that with effect from 1.4.91, the work of inspection of treasuries shall be done by the Principal Accountant General (A&E) dealing with compilation of accounts from treasuries.

(CAG's circular No. OB/B&M/91 issued vide No. 513-D&M/8-91 dated 13.2.91)

(ii) With a view to ensuring harmonious function, it has been decided that inspection of the office of the Director of Accounts & Treasuries will also remain with A&E office.

(CAG's circular No. 12 Audit/Mon/97 issued vide No. 12-audit(Mom)87-87 dated 27.10.97)

(iii) Now some of the field offices have indicated their reservations to the arrangement stating that the Director of Accounts & Treasuries is an administrative office and is discharging entitlement functions including maintenance of GPF accounts in many states. The matter has been reviewed and it has been decided that the audit inspection of the office of the Director of Accounts & Treasuries shall be conducted by Pr.A.G (Audit) and not by Pr.A.G (A&E).
(CAG's circular No. 10 Accounts/99 issued vide No. 735-AC.I/SP.III/106-99 dated 30.12.99.)

AIM OF INSPECTION OF TREASURIES AND SOME OF THE ASPECTS WHICH REQUIRE CLOSE EXAMINATION DURING INSPECTION

Para 22 A reference is invited to Headquarters circular No. 513-O&M/8-91 dated 13.2.91 whereby the work of Inspection of Treasuries was allotted to the Pr.A.G (A&E) w.e.f. 1.4.91. The important points to be seen and records to be checked by the parties during inspection have already been communicated through various circulars and instructions issued from time to time. The aim of Inspection of Treasuries as laid down in M.S.O. (A&E) is to see that

- (i) procedure observed in treasuries meets all requirements of audit
- (ii) accounts and records maintained at treasuries are complete in all respects and
- (iii) there is proper system of reconciliation of balances.

During last few years, various irregularities in the state resulting in fraudulent payments, irregular withdrawals, excess withdrawals etc. have been noticed. It would thus be necessary to intensify the inspection of treasuries to check against such irregularities and appraise the State Finance Department of the state of affairs so that corrective action can be taken by the State Government. Considering various financial scams and irregularities noticed in the states it would also be necessary to make Treasury Inspection more purposeful and investigative. Some of the aspects which require close examination during inspections are given below:

(I). Rendition of Accounts: The delay in submission of treasury accounts to the Principal Accountant General has become a problem in almost all states. The delay may be due to:

- (i) delay in compilation of accounts by treasury staff
- (ii) late receipt of Sub-Treasury accounts by Treasuries and
- (iii) delay in receipt of bank scrolls by treasuries from Banks.

There is a need for Inspection Party to make an in-depth study of the reasons for the delay in compilation of accounts at treasuries and suggest remedial measures to minimize the delay in rendition of accounts by treasuries to the Pr.A.G. office.

(II). Missing Vouchers: The non-submission of vouchers/schedules along with the List of Payments by treasuries poses a problem for compilation of accounts in the

Principal Accountant General's office. This results in missing vouchers in the List of Payments and keeping the amount under the head "Suspense." The Inspection Party may also ensure that there is no case of intentional/deliberate non-submission of vouchers/schedules along with the list of payments.

(III). Personal Deposit Account: Over the years it has been noticed that State Governments have been resorting to the irregular practice of diverting funds by debiting Service heads of expenditure and crediting them in Deposit heads under Public Accounts. This avoidable practice is being resorted to ensure that there is no savings under a budget grant. Heavy balances remain unspent under Personal Ledger Accounts although the amounts are withdrawn from the Consolidated Fund of the State. With regard to Personal Ledger Accounts it is to be seen whether these accounts have been opened for specific purposes and not for diverting funds from the Consolidated Fund.

(IV). Expenditure as per Allotment: Cases have been noticed where Drawing and Disbursing Officers have been known to incur expenditure in excess of allotment of funds by manipulation. The Inspection Party is required to scrutinize the procedure of passing the bills by the Treasury Officer. It is to be seen that the prescribed procedure is followed scrupulously by the treasuries. It should also be ensured that proper allotment registers are maintained at the treasury and allotment of funds noted therein and progress of expenditure worked out in all cases.

(V). Withdrawal through Letter of Credit: Some of the State governments introduced the system of Letter of Credit (LOC) for regulating withdrawal of funds by various Drawing and Disbursing Officers. The Treasury/Sub-Treasury Officers are instructed to allow withdrawal of funds by various Drawing and Disbursing Officers as per the Letters of Credit issued by the Secretaries of different departments of the government. In one of the States instance had come to notice where excess withdrawals were made by Drawing and Disbursing Officers from the treasury against LOCs issued by the department. The excess drawals were made on the basis of forged documents and were possible on account of improper maintenance of records by Treasury Officers. It is the duty of the Treasury Inspection Party to examine the system followed in the State with special emphasis on the following aspects:

(a) the authority competent to issue LOCs in the state is to be seen.
(b) whether proper registers are maintained by the Treasury Officers to note all LOCs issued by the departments.

(c) whether any payment has been made in excess of limit prescribed in the LOC
The Treasury Inspection Parties may be directed to conduct inspection of Treasuries in such a way so that all important aspects as mentioned above are looked into and major irregularities if any, noticed during inspection are brought to the notice of the competent authorities.

Note 1 Apart from Test Check covering 10% of the total transactions to be conducted at random, the detailed check of the records for the selected month which should be carried out by the Treasury Inspection Party is given in Annexure 'A.'

(Ref: C&AG's General Circular No. 14-ACI/95 issued under Headquarter's office letter No. 554-ACI/SP/154-89 dated 4.12.95 and A.D.A.I's D.O. letter No. 302-ACI/SPIII/20-97 dated 4.3.97.)

Note 2 Officer Order No. 1 dated 25.5.10 prescribing a detailed checklist for the Treasury Inspection Party issued under the orders of the Accountant General is given in Annexure 'D.'

INCLUSION OF COMMENTS REGARDING FUNCTIONING OF TREASURIES AND IRREGULARITIES IN PENSION PAYMENTS IN THE AUDIT REPORT (CIVIL) AND AUDIT OF PENSION VOUCHERS.

Para 23 The Inspection of Treasuries and the checking of records of pension payments are presently conducted by A&E offices. The A&E offices issue inspection reports regarding each treasury which is inspected and also issue Annual Review on the Working of Treasuries. These reports are issued to the government and there is no mechanism to keep the legislature informed about the points noticed during inspection regarding inefficiency and irregularities in the management of treasuries and the payments of pension. It has, therefore, been decided that the Principal Accountant General (Audit) of each state should obtain by 31st August every year information regarding irregularities, etc. noticed in the functioning of treasuries and payments of pension by A&E offices and include them suitably in Chapter II of the Audit Report (Civil) indicating therein the source of information as A&E office.

(CAG's letter No. 486 Audit (MOM)/87-87 dated 29.8.97)

Important areas, records and documents to be inspected in Treasuries Inspection-General Checks

Para 24 (i) Vouchers pertaining to each schedule are arranged in numerical order and kept under lock and key till they are dispatched to the Accountant General.
(ii) Daily sheets received from the sub-treasuries reporting the receipts, payments and balances of the day are examined and posted on the date of receipt into accounts of District Treasury and at least twenty percent of the vouchers paid at sub-treasuries are checked by the Treasury Officer and the vouchers so checked bear his initials.
(iii) In case of payments authorized by Principal Accountant General office, the specimen signatures of the gazetted officers who are authorized to sign payment orders or to issue letters of authority for payments to be made at treasuries are available at the treasury and that the Treasury Officer actually verifies the signatures on the bills etc.

CUSTODY OF TREASURY

- Para 25** (i) The strong room is inspected annually by the Executive Engineer (PWD).
(ii) Single and double locks of all the treasuries have been inspected by the Deputy Commissioner once in every financial year.
(iii) Every Deputy Commissioner has made a systematic inspection of the working of the District Treasury with the object of ensuring that the procedure actually observed at the treasury is in accordance with the rules.

PADLOCKS AND KEYS THEREOF

- Para 26** (i) A register of pad-locks belonging to the headquarter treasury, each sub-treasury or treasure chest is maintained in a proper form and kept in the strong room of the district treasury and all entries made therein are attested by the Treasury Officer.
(ii) No spare pad locks exist at the treasury except with the permission of the competent authority.
(iii) The duplicate keys of the strong room door are secured under the seal of the Treasury Officer and the Treasurer and are deposited in the District Court or in such other place as directed by Government.
(iv) The Treasurer has furnished sufficient security to protect government against loss due to his negligence or fraud and the Treasury Officer has verified in April each year the financial status of persons who stood surety for Treasurer concerned.

TREASURY BALANCES

- Para 27** The Inspecting Officer should go through the Treasurer's Daily Balance Sheet for the period since last inspection and satisfy himself that the total value of stamps, opium etc. held by the treasurer in his custody from day to day does not exceed the prescribed limit, Daily Balance Sheet has been signed by the Treasury Officer on the evening of the day itself to which it refers and agrees with that shown in the Accountant's Daily Balance Sheet.

CUSTODY OF VALUABLES

- Para 28** (i) The register of valuables prescribed as per rules for showing the receipts and return of chests, packets, etc. are properly maintained.
(ii) All the packets containing valuables are properly sealed and kept under locks.

STAMPS

- Para 29** Stamps are kept in a strong chest having two locks and the key of one invariably remains in the hands of the Treasurer. The Treasurer should maintain a register of receipts into and issue of stamps. The stock account of stamps and the connected records should also be scrutinized and these bear the periodical certificate of physical verification of stock.

STAMP PAPERS

Para 30 Stamp papers are kept in parcels of prescribed quantities. The Inspecting Officer should also see the unopened packets of stamps bear no mark of having been tampered with.

TREASURER'S CASH BOOK

Para 31 (i) The Treasurer maintains only a simple cash book in which each transaction is entered at the time of its occurrence and is signed by the Treasury Officer.
(ii) All cheques received in payment of service stamps are entered in both sides of the cash book and other payments made by transfer are not noted therein.

TREASURER'S DAILY BALANCE SHEET

Para 32 Treasurer's Daily Balance Sheet maintained in the prescribed form is agreed with that of Accountant and that is invariably signed by the Treasury Officer on the evening of the day to which it refers.

ACCOUNTANT'S CASH BOOK

Para 33 Cash Book totals have either been checked by the Treasury Officer himself or by some principal subordinate officer other than the Accountant. The entries in the cash book should be examined with the daily totals of the subsidiary register to see that the later have been initiated by the Treasury Officer.

WATCH OVER LOC CEILING

Para 34 The Inspecting Officer may make it a significant point to check if the Letter of Credit ceiling is strictly watched by the Treasury Officer. Instance of overflow of drawals should be taken as a very significant point.

PENSION PAYMENT

Para 35 **A. Payment of pension at treasuries**

- (i) There are separate files for each class of pension and that Pension Payment Order's (PPO) is pasted in serial order.
- (ii) The files are kept in the personal custody of the Treasury Officer and are not accessible to the pensioners and strangers.
- (iii) One receipt of intimation of death of the pensioner the fact is noted on the reverse of PPO.
- (iv) Payment of pensions made at sub-treasuries is duly noted in the disburser's halves of PPOs over the initials of the treasury officer.
- (v) When a pensioner fails to apply for his pension for six consecutive months causes of such failure are enquired into.

(vi) In the case of female pensioners it should be seen that names of their nominees are duly registered.

(vii) For each bill not presented personally, a life certificate is given by the competent authority.

(viii) Pensions in arrears are not paid without the requisite sanction.

B. Payment of pension through Public Sector Banks

The Government of Assam has introduced a scheme for payment of pension through Public Sector Banks to all the Assam Government pensioners/family pensioners and to All India Service Officers of Assam Cadre retired or retiring from a post under the Govt. of Assam w.e.f. 1.9.1988. As per this scheme, the existing pensioners who are drawing their pension from the treasuries are allowed an option to draw their pension from the treasury or from any branch of Public Sector Bank selected for the purpose.

(Government of Assam, Finance Department Notification No. 1-MP.21/82/369 dated 27.6.81)

PERSONAL LEDGER ACCOUNT

- Para 36**
- (i) PLA opened in treasury has the approval of/or in consultation with the Principal Accountant General (A&E).
 - (ii) There is proper sanction of the competent authority for opening the PLA.
 - (iii) Scheme-wise details are in PLAs.
 - (iv) PLAs opened by diverting funds from the Consolidated Fund have been closed at the end of financial year and balance if any transferred to Consolidated Fund.

MISCELLANEOUS CHECKS

- Para 37**
- (i) **PLA:** PLAs have been opened for specific purposes and not for diverting funds from Consolidated Fund.
 - (ii) **Budget Ceiling Register:** Proper allotment registers are maintained at the treasury and allotment of funds noted therein and that progressive expenditure worked out in all cases.
 - (iii) **Purchase of Stores:** Stores are purchases through the agency of the purchase organization of the Ministry of Supply of the Central Government when this is required by the orders of the government and payment for such stores is made by the organization of Pay & Accounts Officer, Ministry of Supply.
 - (iv) **Cheques and Receipt Book:** The stock of cheques and receipt Books for issue to Disbursing Officers authorized to draw cheques on treasuries and sub-treasuries, should be examined to see that the receipts and issues are accounted for properly, the contents of cheques or receipt books are verified on their receipt into the treasury and certified by the treasury officer over his dated initials on the first page of the books issued. It should also be seen that the Treasury Officer sends a quarterly statement to each P.W. Divisional Officer giving the numbers and dates of all the Cheque books

and Receipt books issued on requisition received from him and from each of his Sub-Divisional Officers.

(v) **Audit of pension payment vouchers:** The vouchers selected under orders of the Deputy Accountant General should be test audited with the relevant Pension Payment Orders. The responsibility of supplying these vouchers to the Treasury Inspection Parties rests with the Pension Section.

(vi) **Pension payments:**

It should be seen

- a. that all the payments have been recorded on the reverse of Pension Payment Orders over the initials of the Treasury Officer.
- b. that in the case of each bill not presented personally a life certificate is given by the competent authority either on the bill itself or it is attached to it and that the payment has been made only for months completed on or before the date of the certificate.
- c. that pension in arrears have not been paid without requisite sanction.

(vii) **Accounting procedure in treasuries:** The procedure for maintenance of various registers in the treasuries is explained in the memorandum reproduced as 'Annexure B' at page 63 of this manual.

(viii) Checks to be made on maintenance of registers: It should be seen:

(a) **Prescribed forms:** that the registers are properly maintained in prescribed forms and in accordance with the prescribed procedure. It should also be seen that there is separate register for each financial year.

(b) **Reserve Bank Remittances:** that the Treasury Officer sends an advice of Reserve Bank Remittances drawn by him during the day on the treasury or bank drawn upon, on the very day on which the Telegraphic Transfer or draft is drawn.

(ix) **Checking of exchange transactions:** According to the note below Article 80 of the Account Code Vol. II (as inserted by correction slip no. 122) the amount of exchange realized by the treasury on drafts constitutes "miscellaneous receipts" of the state govt. The RBI has desired that, since under the revised procedure introduced by them w.e.f. 1.1.68, the remittance applications will be retained at the treasuries the audit of exchange realized may be arranged for by Audit with reference to the Issue registers and application forms. Accordingly, it has been decided that two months transactions of the exchange realized may be checked at the time of annual inspection of treasuries when the Deposit transactions are checked. For this purpose the months selected for the check of two months deposit transaction, will also be the months selected for verification of exchange transactions as well. The months will be selected by Deposit Section in consultation with the Account Current section. While intimating the selection of the months to the Inspecting Officer it should be made clear that the exchange transactions for these months should also be checked in details.

(Authority: CAG's letter No. 481-Tech-Admn-II/402-61 dated 27.3.68)

(x) **Register of Government Securities**

The procedure to be followed in Government treasuries in dealing with securities of the rupee loans issued by the President is laid down in the Government securities manual. The main points to be seen by the Inspecting Officers are:

- a) that register in form 2 (G.S.M) prescribed for watching the disposal of securities for conversion is properly maintained.
- b) that separate registers to record payment of interest on securities viz. stock certificates, bearer bonds, promissory notes, enforced for payment of interest at the treasury are properly maintained in form 3, 5 and 9 of G.S.M. respectively and that the advices on receipt from the Public Debt Officers are noted in the appropriate cases of the relevant registers.

(xi) Register of interest warrants: In the case of register of interest warrants (Form 3) it should be seen:

- a) that note of the return of interest warrants which have remained unpaid for 8 months has been made therein;
- b) that payment of interest on bearer bonds and G.P. Notes is recorded in the register of payment of coupons relating to bearer bonds (Form 6) and register of payment of interest on Promissory Notes (Form 14).

(xii) Other miscellaneous checks: (a) The Inspecting Officer should satisfy himself:

- (i) that the promissory notes interest of which remains undrawn for 10 or more years are struck off the register (Form 9) and the reasons thereof recorded in column II.
- (ii) that stops are recorded against the securities on receipt of instructions from the Public Debt Office and that no interest is paid on such securities;
- (iii) that the records of register of documents have been properly maintained in terms of Para 57 of the Government Securities Manual.
- (b) Securities deposited for safe custody with the treasury should be checked with the entries in the Register of Govt. Securities deposited for safe custody in Form 19 and Form 25 (Register of receipts and disposal of notes held in safe custody). It should be seen that the ledger account maintained in Form 23 for each depositor is balanced after each transaction and that the balances by loans are extracted monthly and agreement is effected with the net total worked out in the register of receipts and disposal of notes held in the custody (Form 25). Acknowledgements of interest on securities held for safe custody should be checked with the entries made in the interest Distribution Register in Form 26 as per last sentence of Para 117 of the Government Securities Manual.

(xiii) The Inspecting Staff should pay particular attention to the following points while inspecting the rupee Debt records of the treasuries/sub-treasuries:

- (a) that the enfacement and cancellation advices received from the RBI, Public Debt Office, Delhi in respect of G.P. Notes are properly recorded in Enfacement register (in Form No. 9) kept in terms of Para 39 of the Government Securities Manual (3rd Edition).
- (b) that the Stop and Removal advices if any received from the Public Debt Office are marked against the relative entries of the G.P. Notes in the Enfacement registers.
- (c) that documents are registered and records thereof kept.
- (d) that a regular record of correspondence emanating from the RBI, Public Debt Office is maintained and the letters are promptly attended to.
- (e) that the interest payments recorded in the register in Form 14 are properly marked in column No. 8 of the Enfacement registers.

(f) that the time of payment of interest on G.P. Notes to the income tax at the current rate is deducted and

(g) that no partial payment of interest is made on G.P. Notes.

(RBI, Public Debt Office, Delhi letter No. P.D.O./DT/TY/571 dated 10.1.48)

(h) It should be examined carefully that the treasury officers on receipt of loan repayment circulars from Public Debt Office invariably give necessary remarks in the register maintained in Form 9 by drawing a line in Red Ink as provided in Para 69 of the Government Securities Manual (3rd Edition). Failure on the part of the Treasury Officers to comply with this requirement results in payment of interest beyond the date on which particular loan ceased to bear interest.

(RBI, Public Debt Office, Delhi letter No. P.D.O./DT/TY/4919 dated 19.4.54)

(i) It should be seen in the course of inspection that Treasury Officers make payment of securities pertaining to discharged loans strictly in terms of the provision of paragraphs 93 and 94 of the Government Securities Manual.

(RBI, Public Debt Office, Delhi letter No. P.D.O./DT/TY/17070 dated 19.8.54)

ANNUAL VERIFICATION OF PENSIONERS

Para 38 During the visit of one of the field offices, the C&AG of India has desired that during the course of Treasury Inspection it should be seen whether the prescribed procedure for verification of pensioners/family pensioners is being followed. In this connection attention is invited to provisions of Rules 367 and 368 of the C.T.R. which provides for annual verification of pensioners. In case of pensioners drawing pension through Public Sector Banks the pensioners are required to furnish a life certificate once a year in pursuance of G.I.O order below Rule 350 of C.T.R.

Therefore the parties associated with the Treasury Inspection are to verify that the requirement of rules as far as verification of pensioners/family pensioners concerned is complied with.

(CAG's letter No. 302-AC-II/49-90 dated 19.5.98)

The Government of Assam has introduced a scheme for payment of pension through Public Sector Banks to all the Assam Government pensioners/family pensioners and to All India service Officers of Assam cadre retired or retiring from a post under the Govt. of Assam w.e.f. 1.9.1988. As per this scheme, the existing pensioners who are drawing their pension from the treasuries are allowed an option to draw their pension from the treasury or from any branch of Public Sector Bank selected for the purpose. As such, the responsibility for collection of the life certificate etc. will now lie with the Public Sector Bank concerned. The scheme also provides that all pensionary payments including those under this scheme will continue to be subject to Audit by the Principal Accountant General, Assam. The accounts, records and registers maintained in the branches of the Public Sector Banks making pension payments and also in the link branch shall be open to Audit by the Principal Accountant General, Assam or any person appointed by him in this behalf. The Treasury Inspection

Parties may keep these provisions in mind while requirement of rules for verification of pensioners/family pensioners concerned is complied with by the Public Sector Banks making pension payment.

(Govt. of Assam, Finance Department, Notification No. 1-MP.21/82/369 dated 27.6.81.)

STRENGTHENING OF TREASURY INSPECTION INCLUDING DEMARCATION OF WORKING BETWEEN Pr.AG/AG (A&E) AND Pr.AG/AG (AUDIT) – RECOMMENDATION OF XX AsG’s CONFERENCE HELD IN APRIL 1999.

Para 39 In the Principal Accountants General/Accountants General conference held in April 1999, the following issues relating to strengthening of Treasury Inspection was discussed:

- (1) Annual Audit Plan for Inspection of Treasuries.
- (2) Measures to improve quality of Treasury Inspection.
- (3) Coordination between Pr.AG (A&E) and Pr.AG (Audit).

After detailed discussions the following recommendations were arrived at:

1. Annual Audit Plan for Inspection of Treasuries

1.1. The existing instructions envisage that all treasuries and sub-treasuries are to be inspected by Pr.AG (A&E) annually. In practice due to limited number of inspection parties available, all the treasuries and sub-treasuries are not being covered every year in most of the states. Therefore, it is imperative to formulate an Audit Plan and identify the treasuries and sub-treasuries to be inspected during the year. The primary criterion for selecting the treasuries can be quantum of transaction at the treasury. Effort is to be made to inspect all those treasuries where bulk of transactions of the state take place and where number of vouchers is large.

Other additional criteria are:

- (a) Treasuries where there is persistent delay in submission of accounts to the Pr.AG (A&E).
- (b) Treasuries whose quality of accounts is poor i.e. there are defects in the accounts and schedules etc. are wanting.
- (c) Quantum of Personal Ledger/Personal Deposit Accounts and other deposit accounts maintained at treasury.
- (d) Abnormal trends of drawals evident in RBI statements.
- (e) High incidence of outstanding advances in AC bills.
- (f) Treasury Suspense
- (g) Suggestions from Finance Secretary who may have independent information.
- (h) Internal Audit Reports of Director of Treasuries.
- (i) Input from Central Audit findings.

1.2. The Principal Accountant General shall determine the total man days available. Half of these should be used for treasuries with large transactions. The balance should be used for treasuries selected on other criteria. The Principal Accountant General (A&E) should assign suitable weightage to the different criteria using parameters such as suspicion of fraudulent drawals, thrust area identified for the year, request from Pr.A.G. (Audit) etc.

1.3 The number of days allotted for inspection of treasuries and sub-treasuries is at present fixed as 7 days and 3 days respectively. Principal Accountant General shall have the discretion to vary the duration of inspection based on the importance and quantum of transaction undertaken at the treasuries/sub-treasuries.

1.4 Thrust areas should also be identified for the year. Some illustrative thrust areas are Personal Ledger Accounts, system of pension disbursements including annual verification, outstanding advances drawn on AC bills.

2. Measure to improve quality of Treasury Inspection.

2.1. Treasury Inspection Party personnel must be selected with due care and given suitable training in the methodology of treasury inspection. Training can be arranged in-house by the Pr.A.G (A&E).

2.2. If the functions of treasuries have been computerized in any state, EDP Audit team should also be associated with the Treasury Inspection so that efficacy of EDP control system can be checked. The inspection should also monitor progress of computerization and ensure that appropriate interface may be established with VLC.

2.3. Group Officer should supervise the inspection of selected treasuries to ensure that the treasury staff produces all the records and information required by the party and to provide guidance to the inspection party so as to enhance quality of the findings.

2.4. Treasuries are required to maintain Budget Allotment Register for each Drawing and Disbursing Officer so as to watch that the expenditure does not exceed the allotment under each head. In states where such Budget Allotment Register are not being maintained by the treasuries, Pr.A.G(A&E) should take up the matter with the Finance Secretary and impress the need for incorporation of the requirement in the State Treasury Rules.

2.5. Instruction issued by Headquarters office in 1997 and subsequently regarding points to be seen during treasury inspection may be incorporated in the M.S.O. (A&E). In addition, Pr.A.G (A&E) should prepare a manual which should incorporate detailed check to be exercised in the audit of Personal Ledger Accounts/Personal Deposit Accounts and other deposit accounts. This manual must be supplied to the Treasury Inspection Parties. Each office may also prepare a good practice guide based on a model inspection. The experience of Pr.A.G (A&E), Bihar could be relied upon for that purpose.

2.6. Although rules provide that advances drawn on A.C. Bills must be adjusted through submission of DC bills within a specified period and further advances should not be paid to the DDOs unless the previous advances have been adjusted, it is often found that a number of advances are outstanding against some DDOs. The Treasury

Inspection Report must invariably comment on such outstanding advances. Heavy outstanding should be brought to the notice of the Finance Secretary.

2.7 The Treasury Inspection Party is required to check the pension payments being made at the treasury during inspection. It is necessary that full particulars of pension payment orders related to pensions being paid at treasury should be made available to the party so as to enable check with reference to PPOs. This is necessary as check of pension payments with reference to the records available at the treasury alone is not sufficient.

2.8 In order to facilitate check of PLA, Pr.A.G (A&E) should impress on the State Government the need to maintain scheme-wise details of debits and credits.

3. Coordination between Principal Accountant General (A&E) and Principal Accountant General (Audit).

3.1 Headquarters had issued instructions on 29.8.97 that the Principal Accountant General (Audit) should obtain from the Principal Accountant General (A&E) by 31st August every year, information regarding irregularities noticed in the functioning of treasuries and payment of pension for possible including in the Chapter-II of the Audit Report. In order to implement this effectively Principal Accountant General (A&E) should highlight more serious irregularities in the form of a draft paragraph and forward the same to Principal Accountant General (Audit).

3.2. For better co-ordination, Principal Accountant General (A&E) and Principal Accountant General (Audit) should meet once in a quarter along with their Group Officers to review the matters arising out of Treasury Inspection.

3.3. Copies of Inspection Report of each treasury and also the Annual Review on the functioning of treasuries should be forwarded to Principal Accountant General (Audit).

3.4. Principal Accountant General (Audit) should inform Principal Accountant General (A&E) instances of non-reconciliation of PLAs transactions by DDOs with the PLAs maintained by treasuries. During Treasury Inspection the discrepancies and their implications must be analyzed.

3.5 When local audit of DDO reveals expenditure beyond budget allotment, such information may be passed on to the Pr.A.G (A&E) for cross check during treasury inspection to ascertain how the Treasury Officer has passed this bills beyond allotment.

(CAG's letter No. 562-Audit(Au-Plg)7-98 Vol.V dated 21.4.99)

IMPLEMENTATION OF RECOMMENDATIONS OF XX AsG's CONFERENCE HELD IN APRIL 1999 IN THE MATTER OF TREASURY INSPECTION

Para 40 The recommendations of XX AsG's Conference held in April 1999 in the matters of strengthening Treasury Inspection have been accepted for implementation with immediate effect. The recommendations include preparation of annual plan for treasury inspection and training of staff deployed on treasury inspection, manualisation by Pr.A.G (A&E) of instructions issued from time to time by Headquarters office and locally by Pr.A.G., supervision of treasuries by Group Officers etc. The following directions are issued for necessary action.

1. Formulating Annual Plan for Treasury Inspection.

Instructions have been issued in October 1997 that inspection of treasuries/sub-treasuries shall be conducted annually. It has now been decided that treasuries which account for significant volume of States outgo (70 to 80%) shall be inspected annually invariably. The inspection of remaining treasuries including sub-treasuries shall be programmed annually or biennially depending upon the volume of transaction for which Accountant General may develop the frequency norms under intimation to this office.

2. Supervision by Group Officer.

As per instructions of Sept, 1998 inspection of more important treasuries is to be supervised by Group Officer in charge of accounts. It has been decided that at least one treasury with bulk transactions shall invariably be supervised every quarter by the concerned Group Officer as a team leader of the inspection party and the percentage of his supervision will be 100%.

3. Training of Staff.

Principal Accountant General (A&E) shall arrange training for the staff involved in treasury inspection on regular basis to upgrade their knowledge and skills.

4. Manualisation of instructions issued by Headquarters office.

The instructions issued from time to time by Headquarters office and those issued locally by Principal Accountant General (A&E) on treasury inspection including check of PLA/PDA, pension payments etc. shall be manualised by Principal Accountant General (A&E) and a practice guide for treasury inspection prepared for use by treasury inspection parties.

Note A good practice guide on treasury inspection prepared by the office in pursuance of the Headquarters orders is given in Annexure – 'C'

5. Maintenance of DDO Budget Allotment Registers.

DDO-wise Budget Allotment Registers are required to be maintained by the treasuries to watch that the expenditure by DDO does not exceed the allotment under each head. During the course of inspection if this register is not found to have been maintained, the non maintenance shall be reported to the State Finance Secretary stressing the need for maintenance of the same by the Treasury Officer and incorporation of this requirement in the State Treasury Rules, if not already provided.

6. Particulars of pension payment orders.

The particulars of pension payment orders will be invariably produced by the Pension Wing to the Treasury Inspection Team before inspection is taken up by them to facilitate check of pension payments with reference to PPO particulars. For this

purpose, a copy of the Treasury Inspection programme will be supplied to the Pension Wing.

(CAG's letter No. 352-AC-I/S.P.III/SO-99 dated 28.6.99)

The recommendations for better co-ordinations between the Pr.A.G (A&E) and the Pr.A.G (Audit) on treasury inspection that they should meet once in a quarter to review the matters arising out of these inspections have also been accepted for implementation.

The Pr.A.G (A&E) and the Pr.A.G (Audit) shall accordingly meet once in every quarter to review the matters arising out of treasury inspection for further action. The record note of the meeting shall be sent to the ADAI (Accounts) and the ADA (Report States) every quarter by the Pr.AG/A.G (A&E) and the Pr.AG/AG (Audit) respectively.

(CAG's letter No. 384-AC-I/S.P.II/SO-99 dated 28.6.99)

7. Interface with treasury.

Wherever treasuries have been computerized, the local Principal Accountant General (A&E) should conduct IT Audit of the system, as a part of the Treasury Inspection to examine its compatibility with our VLC system and also highlight other shortcomings.

8. Adverse Balances.

The Treasury Inspection Party should examine the minus/adverse balances pertaining to past previous years under various deposit and loan heads in-depth scrutiny of current year's adverse balance and the findings may be included in Inspection Report invariably so that failure in treasury control is reflected in audit report and timely detection of frauds, if any.

(CAG's letter No.47-AC-I/S.P.III/72-99 dated 11.2.2002)

Chapter – II

RULES FOR THE TREASURIES

(a) DISTRICT TREASURY

INTRODUCTORY

Para 41 The treasury is divided into two departments: that of accounts under the charge of an Accountant and that of cash, stamps, opium etc., if any, under the charge of Treasurer. The two departments should as far as possible be in two different rooms.

TREASURER'S DEPARTMENT

THE TREASURER

Para 42 The duty of the Treasurer is to receive and list all notes or coins brought to the treasury, to make authorized payments and to account for all receipts and payments. He is also required to keep an account of stamps, opiums etc., under his charge (either solely or jointly with the Treasury Officer).

THE TREASURE

Para 43 Detailed rules for dealing with the treasure are laid down in Appendix IV of Assam Treasury Rules and Subsidiary Orders.

THE SECURITY OF THE TREASURER

Para 44 The treasurer is responsible for handling of the money at the treasury. It is the duty of the Deputy Commissioner to see that the treasurer furnishes sufficient security to protect the government against loss due to his negligence or fraud. The treasurer should furnish a security bond in T.R. Form No. 23. The promissory notes lodged as security may be returned after six months from the date of vacation of office by a treasurer but the bond should be retained permanently or until it is certain that there is no necessity for keeping it any longer.

Para 45 Bullion, jewellery and other valuables such as promissory notes, security deposits etc. coming into the hands of a govt. employee in his official capacity may be received in the treasury for safe custody at the discretion of the District Magistrate or Civil Judicial Magistrate or Sub-Divisional Officer in the case of headquarters treasury or sub-treasury as the case may be, the value of such articles must not be brought into the account of the treasuries. The T.O. should once a month examine the condition of boxes of bullion etc. and record the result as such examination in the register referred to in clause (ii) of Note 1 below.

- Note-1 The following rules are laid down for the guidance of T.Os in dealing with valuables deposited under this rule:
- (i) when bullion, jewellery and other valuables including current money when such money is an exhibit in a criminal case, connected with any case, executive or judicial, are placed in the treasury for safe custody under the orders of District Magistrate or Civil Judicial Magistrate or Sub-Divisional Officer in the case of headquarters treasury or sub-treasury as the case may be, they should be made up in a sealed packet and presented with a memorandum from District Magistrate, Addl. Magistrate or S.D.O. as the case may be, containing a list of property and statement of its actual or estimated value.
 - (ii) The T.O. after satisfying himself that the packet is in order and the seal is intact, will note the receipt in the register of valuables and will return the memorandum to the District Magistrate, Addl. Magistrate or S.D.O. as the case may be, endorsed with a receipt, for sealed packet, numbered and said to contain the proper on the reverse. Each entry must be initialed by both the T.O. and the Treasurer.
 - (iii) The packets will then be kept in the safe as cash under double locks and should not be returned without the orders of Dist. Magistrate or S.D.O. as the case may be.
- Note-2 The confidential deed box belonging to a Municipality may be received at a treasury for safe custody.
- Note-3 The duplicate keys of iron safes and chests kept in government offices for custody of cash and other valuables will be received in the treasury strong room duly secured in sealed covers.

TREASURY PAD LOCKS AND KEYS

- Para 46** (1) A register of all pad locks belonging to headquarters and sub-treasuries and treasure chests shall be maintained and kept in the strong room.
- (2) Every pad lock shall have a number impressed upon it or attached to it by a metal or other label and same number should be impressed on or attached to each key belonging to it. No two pad locks in the same district shall bear the same number.
- (3) If a pad lock becomes unserviceable or ceases to be required or if any one of the keys belonging to it is lost, the circumstances shall be reported to the Deputy Commissioner who shall pass orders regarding disposal of the pad lock and keys. No pad lock of which duplicate key has been lost shall continue to be used in the same district. No spare pad locks should be kept at a sub-treasury or with the permission of the Commissioner at a headquarters strong room and duplicate keys shall not be kept at sub-treasuries.
- (4) No local mechanic shall ever be allowed to repair a treasury or to make a new key for one.
- Note (i) All spare pad which are held in the headquarters strong room and all duplicate keys except those belonging to the locks of the headquarters strong room door, shall be kept in an almirah in the headquarters strong room under double locks, the key of

the one lock being with the T.O. and the other in the hands of the Treasurer. The duplicate key of the lock of the almirah containing the duplicate keys shall be deposited with the Deputy Commissioner. The duplicates of the treasurer's keys of the headquarters strong room (double lock) door and of the single lock where the double lock can be reached only through the single lock, shall be secured under the seal of the T.O. and the Treasurer and made over to the Deputy Commissioner for safe custody. Once in a year in the month of April they shall be sent for, examined and returned to the Deputy Commissioner under fresh seal of the T.O. and the Treasurer in case of the treasurer's key and of the T.O. alone, in case of his own key, a note being made in the duplicate key register that they have been examined and found correct.

(ii) Whenever the charge of a treasury is transferred or a Treasurer is changed, all pad locks and duplicate keys belonging to the treasury shall be examined and compared with the register and a certificate shall be signed that they have been found correct.

(iii) At every inspection of treasury, the Inspecting Officer shall satisfy himself that the pad locks and all keys (except duplicate keys of the headquarters strong room locks deposited elsewhere) are correct and deposited in accordance with the rules and shall make a note to this effect in his inspection report.

TREASURER'S RECORDS

Para 47 (a) The Treasurer shall maintain a simple cash book in which each receipt and payment shall be posted at the time and on the date on which they actually occur and in the order of occurrence. The Treasurer shall sign and immediately return to the Accountant (after necessary entry in his accounts) all receipts for money received. He shall stamp all payment vouchers "PAID" and retain them for delivery to the Accounts Department when the books are compared.

Note When a payment is made by transfer, the item will not find place in the cash book.

(b) The Treasurer will also maintain stock register for stamps; match excise bankrolls and opium in custody of the T.O. vide Article 31 of Account Code Vol-II.

(c) When stamps and opium have been sold the total sale shall be entered before the cash book is closed and memorandum should be prepared and forwarded to the Accountant so that necessary entry may be made in the accounts.

RECEIPTS AND ISSUE OF STAMPS

Para 48 (a) Immediately after stamps received have been counted and brought on to double lock register, they shall be placed in proper receptacles in the store under double lock in the presence of the officer in charge, arranged in parcels and packets containing known quantities, the amount and value of each denomination being entered in the same register maintained to show the receipts, and issues to and from the store under double lock before being re-issued for sale or dispatch. These entries shall be

checked by the officer-in-charge at the time when stamps are deposited and the correctness of arithmetical calculations of additions to balance, as well as, of the values compared with quantities, shall be verified and initialed by him at the time. The register shall then be placed with the stamps in the double lock and shall not be removed from there nor shall any entries be allowed to be made therein, except in the presence of the officer in charge. The entries of receipts in the register should agree with the quantities shown in the invoices.

(b) The treasurer shall maintain a register of receipts into and issues from the single lock in the same form as the double lock register. He shall obtain his supply of stamps from the store under double lock on indents which should show the balance in hand, the week's average consumption and the quantity required to enable the Treasurer Officer to see that the quantity indented for is absolutely necessary and not excessive. The issues from the double lock will be entered both in double lock register and of single lock under the initials of the Treasury Officer. From the stock so made over to his charge and kept under single lock, he sell the stamps to the public and to licensed vendors for cash. All entries in single lock register relating to daily sales shall be checked and signed by the Treasury Officer.

ACCOUNTANT'S DEPARTMENT

ACCOUNTANT'S CASH BOOK

Para 49 (i) A record of cash transactions and book transfers relating to the district treasury including those of sub-treasuries within the jurisdiction will be kept in the accountant's cash book. Every item of receipt or payment as well as all adjustments by transfer shall be entered in the cash book or in some register subsidiary to cash book. The daily total from each subsidiary register shall pass into cash book. Cash book and other registers subsidiary thereto shall be maintained in accordance with the provisions of Articles 32 to 41 of Account Code Vol.-II.

A record of challans received for credit of money in payment of stamps shall be maintained and the treasury office shall compare this record with the register of receipts and issue of stamps maintained by the treasurer on the day following the date to which accounts relate.

(ii) Vouchers pertaining to each schedule relating to the cash account or the list of payments shall be numbered consecutively in separately monthly series and kept under lock and key in the order of payment till they are dispatched.

INCORPORATION OF SUB-TREASURY ACCOUNTS

Para 50 The transactions taking place at a sub-treasury shall be reported and incorporated in the account of the district treasury in the manner prescribed in Articles 47 to 49 of Account Code Vol.II. These transactions do not pass into the Treasurer's cash book. If any item in the sub-treasury daily sheet cannot be classified for want of particulars or owing to omission, they should be taken tentatively to the head of account they seem to belong and on receipt of the required information, transferred if necessary.

Vouchers passed by the District Treasury Officer for payment at a sub-treasury may be incorporated in the accounts of the district treasury under the signature of the Accountant. All other vouchers shall be incorporated under full signature of the T.O. If a T.O. owing to the volume of sub-treasury transaction finds it difficult to scrutinize each and every sub-treasury voucher, he at his discretion, leave over the work to the Accountant a percentage check not less than 20% being effected by him. All vouchers checked by the T.O. himself must be initialed by him as a token of the fact that he has exercised the check.

Note After computerization and introduction of Comprehensive Treasury Management Information System (CTMIS) package in all treasuries/sub-treasuries, the govt. of Assam has authorized all the sub-treasury officers to submit their accounts to the Accountant General directly without sending it to the District Treasury for incorporation in the District Treasury accounts.

CLOSING OF ACCOUNTS FOR THE DAY

- Para 51** (i) The daily total of each subsidiary register will be entered in the appropriate part of the cash book which will then be totaled and the balance memorandum at the top of the Accountant's balance will be drawn. To the account balance thus brought out, the additions and deductions indicated at the foot of the cash book form will be applied so as to bring out the cash balance at the district treasury.
- (ii) Meantime the treasurer will also sum both sides of his cash book and draw his balance memorandum in the form of treasurer's daily balance sheet.
- (iii) If the results shown in the two balance sheets agree the T.O. shall sign the two cash books and the two balance sheets.

CLOSING OF ACCOUNTS FOR THE MONTH

- Para 52** (i) The accounts of the sub-treasury shall be closed as on the last day of the calendar month, including therein all the transactions at the sub-treasury during the month. The district treasury shall incorporate the accounts of the sub-treasury in its monthly accounts.
- (ii) In closing the accounts of the district treasury for the month, the month's totals of the subsidiary registers will be carried into the cash account in case of receipts and into list of payments in case of payments.

RETURNS TO THE ACCOUNTANT GENERAL

- Para 53** (i) The cash account, the list of payment, schedules of payment and other returns prepared in the forms and manner prescribed in Chapter IV of the Account Code Vol.-II should be submitted to the Principal Accountant General punctually on the dates laid down therein.
- The first schedule of payments and connected vouchers and a Memorandum in Form T.A. vouchers should be sent to the Principal Accountant General on the 10th and in case of bank treasury on the 11th of the month and the cash account and the list of payments with supporting schedules and the connected vouchers together with the

memorandum in T.A. 48 should be dispatched to him on the first day of the following month.

(ii) The T.O. should submit to the Pr. A.G. every six-months a statement of cases of failure to draw pensions. The statement should be prepared in two parts. One part will show the names of pensioners who have not drawn their pensions for three years. The other part will show the names of pensioners other than those included in the first part who have not drawn their pensions for more than one year. The reasons for the non-drawal if known should be stated against each name.

The T.O. should sort out cases of pensions which have ceased to be payable at the treasury by examining the files of PPOs every month and return his halves of PPOs to the Pr. A.G. along with the statement mentioned above.

Note

Government of Assam with the occurrence of CAG/Principal Accountant General has directed the treasuries/sub-treasuries to submit their monthly accounts by 10th of every month in one list.

CHAPTER – III

RULES RELATING TO PARTICULAR DEPARTMENTS OR PARTICULAR KINDS OF PAYMENTS

Para 54 Letter of Credit

When an officer in charge of a Public Works or Forest Division regulates the money drawings of his subordinate officers by Letters of Credit, the amount of every cheque drawn by the subordinate officers during the month must be noted by the treasury at the time of passing it under T.O.'s initials (irrespective of the date of payment) in the budget control register maintained for the purpose and the balance struck. The Letters of Credit will specify the dates of commencement and termination in each case and the termination advised shall be held to be applicable to be drawn during the period thus defined. Any undrawn balance is not available for drawings in subsequent months.

Para 55 Public Works Department

(i) Receipts

Whenever sums are paid into treasury by a P.W. Office or on his account must be carried to the credit of that department in the civil accounts and not to a separate deposit account.

This shall also apply to deposits made by municipalities or other local bodies to meet the cost of works to be carried out by that department. The challans shall state the name of the P.W. Division to which the amount is creditable and of the work to which relate.

Receipts (Division Wise) shall be recorded in a register maintained in the prescribed form. An extract from this register shall be made and sent to the Pr. A.G. with the cash account as a schedule of receipts.

(ii) Payments

Payments made on cheques are recorded in the register of cheques paid.

(iii) Pass Books

The amount of each cheque paid be recorded also in pass book or list of cheques cashed which will remain with the Divisional Officer and be sent by him periodically to be written up by the T.O. from the register of cheques paid. Details of cheques paid at bank or a sub-treasury being taken from the Daily Sheets.

(iv) Monthly Settlement

The Treasury Officer shall arrange to have a monthly settlement very early in the month with the Divisional Officer, he should have the pass book written up in respect of cheques cashed during the various months and return after signature the consolidated receipt sent to him by the Divisional Officer for whole of the remittance sent by him and his subordinates during that month.

Para 56 Pensions

(i) Payment of pensions is made only upon the pension payment order issued by the Pr. A.G.

(ii) The register of PPOs which the T.O. has to keep will serve as index to the orders. After seeing that the new order is correctly entered in the register, he will put his initials in the column of name of pensioner and rule a red line across the page below the entry. The column of remarks will be blank as long as the order of payment is in force. But when both portions of the orders are returned on account of death of

pensioners or application for transfer which causes strike it permanently off the treasury list, the date and cause of return should be entered in black ink under the T.O.'s initials.

(iii) On appearance of a pensioner claiming payment of pension, his personal marks should be checked by the T.O. and the signature to the receipt compared with the facsimile of signature pasted on the original payment order. A pensioner drawing pension for the first time should also be required to produce the copy of the order by which the transaction to his pension was communicated to him.

(iv) In making the payment the T.O. should satisfy himself that:

(a) the number of PPO and the amount of pension as entered in the receipt correspond with the entries on the PPO in the file kept in the treasury.

(b) if the pension has lapsed, the arrears are not passed for payment without further orders.

(c) the pensioner has not been employed.

(d) the pensioner's half of the PPO is produced invariably with the claim for payment.

(vi) (a) A life certificate must accompany every pension bill which is not personally presented.

(b) A declaration in prescribed form should be obtained half yearly from women pensioners whose pension is terminable by marriage and should be attached to the bills for pension paid for the month of December and June.

(c) A certificate of non-employment in prescribed form should be signed by all the pensioners. If a pensioner is re-employed in a Govt. establishment or in an establishment paid from the local fund, during the period for which the pension is claimed, he should furnish the necessary particulars therein and the T.O. should ascertain and report whether the rules regarding such employment have been duly observed.

(vii) Every payment is to be entered on the reverse of both portions of the pension payment order and attested by the Treasury Officer.

(viii) (a) A pensioner must take payment in person after identification by comparison with PPO. A pensioner exempted by the Commissioner from personal appearance, a women pensioner not accustomed to appear in public or a male pensioner who is unable to appear in consequence of bodily illness or infirmity may receive pension upon production of a life certificate signed by a responsible officer of government or by some other well known trustworthy person.

(b) (i) A pensioner of any description who produces a life certificate signed by authorized officers, i.e. Magistrate etc. is exempted from personal appearance.

(ii) When a pensioner not resident in India draws his pension through a duly authorized agent, the agent must either produce a certificate by a Magistrate, a Notary, a Banker or a Diplomatic representatives of India, on each occasion that pensioner was alive on the date to which his pension is claimed or execute a bond to refund over payments and produce such a certificate at least once a year.

(iii) When a pensioner is a minor or is for any other reason incapable of managing his own affairs and has no regularly appointed manager or guardian or when no such guardian or manager is nominated by the sanctioning authority, the Deputy Commissioner may on application by or on behalf of the pensioner and subject to

such conditions as he may impose, declare any suitable person to be the manager or guardian for the purpose of receiving, on behalf of the pensioner, pension due to him and payments of pension may be made to such manager or guardian in the same way as to the original holder, provided that sufficient proofs are forthcoming at the time of each payment of the original holder being alive and eligible to receive the pension for the period covered by the payment.

(ix) (a) On the first appearance of a pensioner, the pensioner should be identified from the particulars given in the disbursing officer's half of the PPO. Identification should also be made by an examination of the impression given on the bill with those pasted on the PPO or by a reference to the pensioner's photograph.

(b) On the renewal of PPO the original impression must be cut off from the old and attached to the new order.

(x) (a) On receipt of PPO, the T.O. will deliver the pensioner's portion to the pensioner and keep the disburser's portion carefully in such a manner that the pensioner shall not have access thereto.

(b) T.Os are authorized to renew PPOs without reference to the Pr.A.G. in cases in which pensioner's portion is lost, worn or torn or the disburser's portion are completely filled up. On the death of the pensioner, the PPO should after payment of arrears of pension, be returned to the Pr. A.G.

Para 57 GRATUITIES

(i) Gratuities will be paid by T.O. on authority received from the Pr.A.G. The payee must be required to produce his personal copy of the letter of Pr.A.G. to the T.O. authorizing payment of gratuity and the T.O. should record the fact of payment having been made on the copy of the order so produced.

(ii) Gratuities are payable only to and upon receipt of persons legally entitled to receive them.

Para 58 DEPOSITS

(a) Revenue Deposits

(i) A person claiming refund of a deposit must produce an order of the court or authority which ordered acceptance of deposit. The Treasury Officer will compare with the entry in the register of receipt and the balance be sufficient he will take the payee's receipt and make payment and record it at once, under his initials both in the register of repayment, from which the daily total is carried to the cash book and in that of receipt.

(ii) Earnest money deposits will be refunded only under the authority of an order endorsed upon the original deposit receipt of the T.O.

(b) Lapsed Deposits

(i) Deposits the detailed accounts of which are not kept in the treasury and which are credited to the government as per rules cannot be repaid without the sanction of the Pr.A.G. who will authorize payment on ascertaining that the item was really received and credited to the government as lapsed. The refund will however be charged as a refund and not debited to deposits. The repayment of a lapsed deposit shall be recorded in the register of receipts so as to guard against a second payment.

(ii) Balances in Personal Deposit Account do not lapse to govt. In cases, however, in which the Personal Deposit Accounts are created by debit to the Consolidated Fund,

the same shall be closed at the end of the financial year by minus debit of the balance to the relevant heads in the Consolidated fund.

(c) Personal Deposits

Withdrawal are made only on cheques signed by the responsible administrator which remain current for three months. The T.Os duty is simply to see that withdrawals do not exceed the balance in hand.

(d) Local Funds

The account of a local fund at a treasury is a pure banking account, money being paid into and drawn without any specification of the nature of receipt or expenditure. The T.Os need only to see that the withdrawals never exceed the amount at credit.

Para 59

SUB-TREASURY

The procedure to be followed at treasury applies mutatis-mutandis to sub-treasury also.

PROCEDURE AT TREASURIES OF WHICH THE BUSINESS IS CONDUCTED BY BANKS

Para 60

Rules for Treasuries of which the business is conducted by banks are laid down in Appendix VI (R.M.A.34) of Assam Treasury Rules and Subsidiary Orders.

(1) The daily scrolls and pass books along with the register of daily receipts and payments and connected vouchers are forwarded by the bank at the close of the day and are posted in the subsidiary registers and the cash book in the accounts of the day on which the transactions actually took place.

(2) Receipts and disbursements are checked by the T.O. with the challans and vouchers pertaining thereto and their totals agree with the figures entered in the register and the register is returned by the T.O. after signing by him in token of verification.

(3) Challans for credit of money in government accounts are first presented to the T.O. who enfaces them with an order to bank to receive and grant receipt.

(4) Challans and vouchers approved of and registered in the register of challans issued and the registers of orders for payments are marked off in these registers by noting against each the date of discharge.

(5) Each item of receipt or payment is posted from the daily account in the cash book direct or subsidiary registers and the net difference between the total receipts and the total payments of the day is posted in the register of R.B.D. Deposits.

(6) Paid vouchers are numbered and arranged according to the register to which they are posted.

(7) Sale proceeds of stamps realized are paid daily into the bank.

(8) The verification of excess payment of family pension made by bank is conducted through the bank scrolls and check register of family pension cases maintained by T.Os. Treasury Inspection Parties have to verify the aspect of excess payment of family pension by nationalized banks in detail in addition to other prescribed checks and counter checks while conducting inspection of treasuries to ensure that no such system failure is prevalent and no excess payments have been made on this account. In case any such case of excess payment made by bank is noticed, that should be suitably commented upon in Inspection Report so that same could be brought to the notice of state govt. and RBI for effecting the recovery and to plug such irregular practice in future.

CHAPTER – IV

MISCELLANEOUS

Para 61 Retrenchment orders by the Audit Office

The procedure to be followed by the Treasury Officer in regard to retrenchment orders issued by the Principal Accountant General is described in Rule 94 of Assam Financial Rules. The register maintained for noting all retrenchment orders issued by the Principal Accountant General should be checked to see that it is properly maintained and reviewed regularly by the Treasury Officer and that the recovery of sums disallowed has been made without listening to any protest etc. and that the retrenchment order in the case of an officer transferred to another district has been passed on to the treasury officer of that district without any delay. The cases of delay in recovery should be investigated by the inspecting officer himself.

Para 62 Embezzlement-Misappropriation of stamps in Treasuries

(1) A large no. of cases of embezzlements and temporary misappropriations of the sale of proceeds of Court Fee and Non-Judicial Stamps by the Stamp vendors ect. were reported in one state and it was noticed that fictitious entries of sales had been made in the stock registers. In one case of temporary misappropriation, the shortages used to be made good on the last working day of the months at the time of the verification. The Tehsildar used to bring the single lock Stock registers upto date at the close of the month and the figures were made to tally with those in the Plus Minus Memo of stamps. After some time he gave up the practice of making good at the close of the month the full amount misappropriated during the month but the fraud remained undetected for a long time even thereafter.

(2) Under Rule 42 of the C.T.R. Vol – I, the Collector is required to satisfy himself by periodical examination once a year that the actual stock of stamps is kept under joint lock and key and corresponds with the book balance. Under Rule 70, every Collector is required to make a systematic inspection with the object of ensuring that the procedure actually observed at the treasury is in accordance with the rules and orders in all respects and that accounts and other records are properly maintained. Again under Rule 71 *ibid*, copies of inspection memoranda and orders passed thereon by the Head of the Local Administration are required to be forwarded to the Principal Accountant General for information.

(3) In view of growing number of such cases of embezzlements, it is important that inspecting officers should satisfy themselves by a reference to the available records that there is evidence of the prescribed administrative verification having been conducted regularly.

(C&AG's Confidential letter No. 63-Admn.I/356-56 dated 12.1.60)

Para 63 Verification of correctness of deduction of Income Tax from Salaries.

(i) The primary responsibility for correct deductions of Income Tax from salaries is that of the disbursing officer in terms of Section 18(7) of the Income Tax Act (also vide para 8 of Appendix 3 of C.T.R. Vol-II). The correctness of these deductions are

Checked by Income Tax department through the Income Tax Returns furnished to him by the Treasury and Disbursing Officers under section ___ ibid and rule 15 of the Income Tax Rules.

(ii) As such it has been decided that Audit need not at present undertake any specific responsibility for correct deduction of income tax from salaries, except what it already has in the capacity of disbursing officer in pre-audit cases, but arrangements should be made to see during the inspection of treasuries and other disburser's offices that they have adequate arrangements and safeguards to satisfy themselves about the correctness of tax deductions from salaries which the disburse.

(C&AG's letter No. 3372-Admn.I/107-60 dated 31.10.60)

Para 64 Review of Treasury Objections

The register of objections on which bills and other claims presented by drawing officers are returned for completion etc. should be reviewed in order to see that there is no tendency on the part of the treasury staff to raise frivolous and vexatious objections which hamper administration and create friction between the treasury and other offices.

Para 65 Register of Treasury Irregularities

The register should be examined to see that it is properly maintained and that the defects for which the irregularities have been charged have been removed.

Para 66 Books of Reference

The books of reference in use at the treasury should be examined to see that they are kept up-to-date, that separate files of circulars and general letters issued by this office are maintained and that the circular letters are circulated among the staff of the treasury and that necessary action is taken thereon before filing.

Para 67 Custody of Cheque Books in Sub-Treasuries

The Inspecting Officers should see that the cheque books are kept by Tehsildars in their personal custody and that the cheques are invariably written by them.

Para 68 Maintenance of Registers of Scholarship and Grants-in-Aid

Separate registers should be maintained for scholarships and grants-in-aid. The registers of scholarships should be retained till the period of currency of the scholarships or till the register is fully exhausted whichever is later and the register of grants-in-aid renewed every year.

Para 69 Issue of Non-Payment certificates

The Inspecting Officer should investigate with reference to actual cases that non-payment certificates in respect of bills passed by the Drawing/controlling officers for presentation at the treasury, but lost either before presentation or before payment are issued by the Treasury Officer after due verification and not in routine manner.

Para 70 Audit of Director of Accounts and Treasuries.

The audit inspections of the Director of Accounts and Treasuries shall be conducted by the Principal Accountant General (Audit) and not by the Principal Accountant General (A&E).

(C&AG's circular No. 10 accounts 99 No.735-AC-I/SP III/106-99 dated 31.12.99)

CHAPTER – V

INFORMATION TECHNOLOGY AUDIT

Introduction

As per Headquarters D.O. No. 172-AC-I/SP III/5-2005 dated 3.5.2007 the treasuries/sub-treasuries in a state are required to act as the disbursers and receivers of the funds of the State government. In this background, it is imperative that the inspection of treasuries conducted by this office is effective and clearly brings out the deficiencies in their functioning.

As computer technology has advanced, government organizations have become increasingly dependent on computerized information systems to carry out their operations and to process, maintain and report essential information. As a consequence, the reliability of computerized data and of the system that process, maintain and report these data are of a major concern to audit.

Information Technology (IT) Audit is the process of collecting information regarding technology and evaluating evidence to determine whether a computer system has been designed to maintain data integrity, safe guard assets, allow organizational goals to be achieved effectively and use resources efficiently.

Use of computer facilities has brought about radically different ways of processing, recording and controlling information and has combined many previously separate functions. The flow of information with respect to expenditure is up-to-date, authentic and consistent leaving no scope for excess or unauthorized drawals, diversion of funds and wrong booking etc.

In order to effectively conduct audit of I.T. systems adopted by the State treasuries, Headquarters have issued guidelines for inspection of treasuries. Said guidelines have been discussed in subsequent paras in this chapter which may be adhered to by all concerned.

Points to be checked during I.T. audit of Treasuries

Para 71 IT Controls

Following are important controls which should be in place in any I.T. environment. Audit must ensure existence and compliance of said controls.

1. Unauthorized access or changes to data or programme

Access to information & process should be allowed to authorized users only. They should be made aware for maintaining effective access controls particularly regarding use of password and the security of equipment. Hence it may be checked from initial registration of new user to final deregistration of users who no longer require access to information system and services so as to prevent the unauthorized access or changes of data or programme. Passwords should be complex, at least eight characters along with at least one alpha or numeric character. There should be mechanism in place to force the users to change their passwords within a reasonable period say 2 months or so.

2. Uniform processing of Transactions

Uniformity in processing i.e. process must be uniform from unit to unit i.e. treasury to treasury and uniform over a period of time.

3. Automatic Processing

Automatic processing means such processes that run without the intervention of the user. System runs these processes automatically.

4. Increase potential for undetected misstatements as anonymity reduces accountability

Audit trail should be available to detect the mistakes committed by a user to make him accountable for the mistakes committed by him.

5. Unusual or non-routine transactions

Any type of transaction which has occurred for the first time or there is major variations from previous trends may be treated as unusual or non-routine transaction.

Proper validation checks and constraints should be in place/available in the application to restrict the transaction to desired level or list of values and to guard against unusual or non-routine transaction.

In the absence of proper validation checks or constraints in the application, there is a risk of payments being drawn from unauthorized heads resulting in wrong booking of expenditure/drawals in excess of budget provision etc.

6. Concealment or invisibility of some process

All the processes should be properly documented and no process should be concealed from the Audit. Audit may therefore ask for certificate to this effect.

7. Inaccurate information

The information which is not based on factual position should be treated as inaccurate information e.g. if it is reported to Audit that certain reports are being run by the system, then those should really be running. Otherwise, it would be construed as inaccurate information. IT auditor should verify that no such information is being sent to audit.

8. Nature of hardware and software used

A no. of PC nodes, servers, UPSs, printers, voltage stabilizers, web cameras, scanners and kerosene oil driven generating sets, storage devices like floppy disc, CD-ROM, Magnetic Disc, Magnetic tape, operating system & applications are used in every IT system. For proper functioning of IT system it should be seen that:

1. Latest Antivirus software is used.
2. It is purchased from a reputed vendor.
3. Regular backups of important data and application are taken and documented.
4. Codes of all new programmes used in the system have been kept.
5. All new programmes have been checked and verified carefully before installation.
6. The treasury uses the latest and comparable version of the software.
7. A well defined password policy and disaster recovery plan have been formulated by the treasury.
8. Inventory registers of both hardware and software should be seen to ensure that there is a system in place to conduct periodical physical verification of hardware and software.

9. Weak security/I.T security & User Computing Controls

Security of IT system is weak when there is no policy in this regard existing & if existing, it is not being implemented. The Treasuries & Accounts Department should formulate and document security policy regarding the security of IT assets, software and data & ensure its proper implementation. It should be seen during audit whether there is proper policy in place for security of I.T environment/system and is being implemented in letter and spirit.

10. Unauthorized remote access

Remote access should be discouraged as far as possible to avoid unauthorized access. In case remote access is absolutely essential, firewall should be in place to ensure security of data and system.

11. Inadequate Testing

Testing of programme is said to be inadequate when the programmes have not been tested for sufficient time before these are put to actual use and results are duly verified with expected results.

12. Inadequate Training

As IT auditor, a person should verify that the training needs are assessed and training imparted and staff is regularly updated.

Para 72 General Controls

Following General Controls should be in place and Audit should ensure their existence and compliance

1. Organizational and Management Controls

Management controls ensure that the duties allotted to computer staff are provided in the manuals of the department. Distribution of work should be proper. There should be authorized persons to work on different modules of the software to avoid unauthorized access. There should be segregation of duties so that no individual is able to complete the entire process by himself. This should be done by issuing proper instructions.

2. IT Operational Controls

Operational controls are to ensure safeguarding the hardware, software, and unauthorized access to work files of the system. These controls should be exercised for adequate safeguarding of files and software against loss, misuse, theft, damage, unauthorized disclosure and accidental/deliberate corruption. Since computer files are records of the department, these are required to be safeguarded by issuing proper instructions.

3. Physical Controls

Physical control refers to the system whereby the computer systems are safeguarded from physical access/damage from unauthorized users. The physical control is achieved by taking following measures. IT auditor should verify whether sufficient provisions are in place to ensure that:

1. Physically bolting the PC to the table so that it cannot be lifted and taken away.
2. PC rooms should be locked during off hours.
3. Entry into computer rooms having sensitive data should be restricted to the authorized staff only.
4. All data storage media like floppies, discs etc. should be kept in cupboards having locking facilities.
5. Copies of all the backup media should be kept off site in a separate room and properly secured.
6. The network of computers having sensitive data should not be extended beyond the requisite PCs.
7. The servers should be kept in a separate room and physical access to server room should be restricted.

4. Logical Access Controls

Logical Access Controls are introduced to prevent unauthorized people from using computer by:

- a. allotting unique identification codes
- b. password administration
- c. setting up login scripts

- d. controlling file permissions
- e. providing different menus in the software

Objective of Logical Access Controls are:

1. only authorized persons are able to access the system
2. unauthorized persons are allowed to access the system/data
3. A proper log of all critical actions of the users (valid/invalid) is maintained by the system.

5. Controls of IT acquisition

IT auditor should check whether there is system (like formation of committees calling for bids, prequalification of bidders, drafting of agreements etc.) for procurement of new hardware/software and it is being followed. There should be proper inventory control of both hardware/software and provisions for periodical physical verification.

6. Programme Change Controls

System/Programme amendment controls should be there to ensure that there are no unauthorized changes in the programme whether prepared/developed by the department in house or got developed from an outside agency. The programmes should be changed only with the approval of the competent authority and these changes should conform to requirements of manuals, rules and regulations and procedures of the organization. The internal auditor should ensure that any changes made in the software should have the approval of the competent authority and meet the requirements of the organization.

Business Continuity and Disaster Controls

IT auditor should verify that there is a business continuity management process available to reduce the disruption caused by disasters and security failures to an acceptable level through a combination of preventive and recovery controls.

Business continuity plan (BCP) should begin with threat identification and risk assessment, with full involvement of the owners of business resources and processes. This would lead to the preparation of the strategic plan for the overall approach to business continuity.

It should be seen that consequences of disasters, security failures and loss of service are analyzed and contingency plans are developed and tested to ensure that business processes can be restored timely. Such plans should be maintained and practiced to become an integral part of all other management processes. Business continuity management should include controls to identify and reduce risks, limit the consequences of damaging incidents and ensure timely resumption of essential operations. The BCP should be tested regularly to ensure that it is up to date and periodically reviewed to ensure its continued effectiveness.

Para 73 Application Controls

Following are application controls and it should be ensure that these are in place in the IT environment.

1. Input controls
2. Processing controls
3. Output controls
4. Master/Standing Data File Controls
5. Internet Controls

Objective of these application controls are discussed below:

1. Input Controls

Input controls have the following objectives:

- all transactions are entered accurately
- all transactions are valid
- all and only valid transactions are entered
- all transactions have been authorized
- all transactions have been entered in the correct accounting period and
- all transactions have been posted to the correct account code

2. Processing Controls

In general, processing controls should ensure that:

- the data has been properly processed
- all the data has been processed
- the data has only been processed once; and
- processes have been applied to valid data
- processing controls can be said to operate at two basic levels

At a transaction level: Controls are applied to individual transactions as they are processed; and

At a Total level: Total controls are applied to groups of records and are usually used to ensure the completeness of processing.

3. Output Controls

These controls are incorporated to ensure that computer output is complete and correctly distributed. It may be noted that weakness in processing may sometimes be compensated by strong controls over output. A well controlled system for input and processing is likely to be completely undermined if output is uncontrolled. Reconciliation carried out at the end of output state can provide very considerable assurance over the completeness and accuracy of earlier stages in the complete cycle.

Output controls ensure that all output is:

- produced and distributed on time
- fully reconciled with pre input control parameters
- physically controlled at all times, depending on the confidentiality of the document and
- errors and exceptions are properly investigated and acted upon

4. Master/Standing data File Controls

Auditor should verify whether master data is validated, complete, accurate, and updated by authorized person after it is approved by competent authority.

Internet Controls

It should be seen whether access is allowed through internet. If yes, the same should be documented & safety measures like firewalls must be in place. Proper policy for IT security for internet usage should be in place and extent of its implementation should be checked.

Para 74 Using Computer Assisted Audit Techniques

Treasury Inspection parties are increasingly using Computer Assisted Audit Techniques (CAATs). CAATs utilize custom developed software programmes to aid in the execution of the audit. They can be used for both sampling of the system transaction data and for testing the system as a whole. CAATs tools can be developed to:

- access and extract information from auditee databases
- Total, summarize, sort, compare and select from large volumes of data in accordance with specified criteria
- Tabulate, check and perform calculations on the data
- Perform sampling, statistical processing and analysis
- Provide reports designed to meet particular audit needs and
- Facilitate audit planning and control e.g. Electronic audit working papers that support effective indexing, reviewing and reporting

Irrespective of the mode of downloading auditee data, the auditor needs to obtain the following information/details from the auditee:

- Details of file/tables-Master tables and transaction tables
- Relationship between the files/tables
- Data base triggers
- Data dictionary
- Record layout (name, description, length, type and decimal places of all fields in the records)
- No. of records in each file/table.
- Size of file/table.
- Format in which data is given
- Medium for data transfer
- Any associated file and logical relationship if any between the fields of associated files
- Control totals
- Details of header, tailer blocks, no. of blocks in each block and the blocking factor if the data is provided in magnetic tapes
- System and data documentation including documentation updates.

CHAPTER – VI

REPORTING THE RESULTS OF INSPECTION

Preparation of Draft Inspection Report

Para 75 1. Characteristics of a Good Inspection Report

On the completion of each inspection assignment, the Inspecting Officer should prepare a written report setting out the observations and conclusions in an appropriate form. Its content should be

- easy to understand and free from vagueness or ambiguity
- include only information which is relevant and supported by sufficient and competent evidence, and
- be independent, objective, fair, complete and as concise as the subject matter permits.

Audit evidence should meet the basic tests of sufficiency, relevance and competence.

(i) **Sufficiency:** Sufficiency is the presence of adequate, actual and convincing evidence to support the audit observations and conclusions where appropriate, scientific sampling techniques/methods should be used to establish sufficiency.

(ii) **Relevance:** Relevance refers to the relationship of the evidence to its use. The information used to prove or disprove an issue is relevant if it has logical and sensible relationship to that issue. Information that does not possess such a relationship is irrelevant and therefore should not be included as evidence. Collection of evidence involves use of scarce audit resources and what is not relevant should not be collected.

(iii) **Competence:** To be competent, evidence should be valid and reliable. In evaluating the competence of evidence, the Auditor should carefully consider whether reasons exists to doubt its validity or completeness. If so, the Auditor should obtain additional evidence or reflect the situation in the report.

(iv) **Completeness:** The inspection report should be complete. This requires that the report contains all pertinent information needed to satisfy the audit objectives and to promote an adequate and correct understanding of the matter reported. It also means including appropriate background information.

(v) **Accuracy:** Accuracy demands that the evidence presented be true and the conclusions are correctly portrayed. The conclusions should flow from the evidence. The need for accuracy is based on the need to assure the users that what is reported is credible and reliable.

(vi) **Objectivity:** Objectivity requires that the presentation throughout the report be balanced in content and tone. The Inspection Report should be fair and not be misleading and should place the audit results in proper perspective. This means presenting the results of inspection impartially and guarding against the tendency to exaggerate or over-emphasise deficient performance. In describing shortcomings in performance, the Inspecting Officer should present the explanations provided by the treasury and stray instances of deviation should not be used to reach broad conclusions.

(vii) **Convincing:** Being convincing requires that the information presented should be sufficient to convince the users of the reasonableness of the audit observations and validity of the audit conclusions.

(viii) **Clarity:** Clarity requires that the report be easy to read and understand. Use of straightforward, non-technical language is essential. If technical terms and unfamiliar abbreviations are used, they should be clearly defined. Both logical organization of the material and accuracy and precision in stating the facts and in drawing conclusions are essential to clarity and understanding.

(ix) **Concise:** Being concise requires that the report be not longer than necessary to convey the message. Too much of detail detracts from a report, may even conceal the real message and may confuse the readers. Needless repetitions should be avoided. While there exists rooms for considerable judgment in determining the content of the reports, complete and concise reports are likely to receive greater attention.

(x) **Constructive:** Being constructive requires that the report also includes well thought out and well articulated suggestions, in broad terms, for remedying the defects, deficiencies and weaknesses noticed. Utmost care should be taken in presenting the suggestions, which should be done with due regard to the requirements of the rules and orders, operational constraints and the prevailing milieu. The suggestions incorporated in the report should be discussed with the entities with sufficiently high level functionaries and as far as possible, their acceptance obtained.

(xi) **Timeliness:** The Inspection Report should be made available promptly, to be of utmost use to all users, particularly to the auditee organizations and/or Government who have to take requisite action.

2. Structure of Inspection Report

The Inspection Report should comprise of three parts

Part – I

Introductory: This part should contain the preliminary and background information.

Part – II (Section A)

In this section, all important irregularities having potential for processing of Draft Paras should be included.

Section B

Other important points which need to be brought to the notice of authorities should be incorporated in this section.

Part – III

General/miscellaneous irregularities such as improper maintenance of records, omission of Treasury Officer's signature etc.

3. Drafting of Inspection Report

During the course of each inspection, the Inspecting Officer should write his report on a day to day basis and not after inspection has been completed. The objections will be shown to the Treasury Officer daily and matters discussed and settled as far as possible. The objective should be to leave for the report only those matters which cannot be settled by the Treasury Officer. Important matters should be discussed with the Collector.

The arrangement of the report should be systematic, corresponding closely to the conduct of the inspection. It should be in all cases narrative and descriptive in form. Each main section of the treasury business should be taken up in turn and the report should contain a clear statement of the manner in which the work of each section is done.

After the inspection has been completed, report should be drafted in two parts as prescribed in the Principal Accountant General's MSO (A&E) Vol.I, and forwarded with Treasury Officer's replies and the questionnaire duly filled in to Headquarters within seven days of the completion of inspection. The draft Inspection Report will be scrutinized in Treasury Inspection Cell with a view to correcting any wrong reference and palpable errors. Treasury Inspection Cell will also comment on the suggestions made in the report and bring to the notice of the Deputy Accountant General (Accounts) all important points which should be reported to the State Government at once. It will then be submitted to the Deputy Accountant General (Accounts) for approval. If any question of procedure, etc., mentioned in the report is reserved for further examination in the main office, suitable action should be taken. If the I.R. discloses irregularities of a serious nature, it should be submitted to the Principal Accountant General.

4. Issue of Inspection Reports

After the Deputy Accountant General (A/Cs) approves the report, it may be got typed and issued within one month of the date of closure of inspection to the respective Treasury Officers for compliance, with copies to the Deputy Commissioner of the district, Treasury Officer, Director of Treasuries and Accounts, Finance Department of the State Government. Attention of the authorities to whom the reports are endorsed should specially be drawn to special points of interest.

5. Disposal of Inspection Reports

Every endeavor should be made in the Accountant General office to ensure that the Deputy Commissioner/Treasury Officer submits his replies early. The disposal of these reports should be watched through a register maintained in the Treasury Inspection Cell in Form S.Y. 36. Further, important points and irregularities inferred from the replies received should be reported to the State Government immediately for taking necessary steps. The orders passed by the State Government on the points

reported to them should be watched with care with a view to their ultimate inclusion in the Audit Report (Civil), if necessary.

Note:

- a) The Register for watching the disposal of Inspection Reports should be submitted monthly to Deputy Accountant General and once in a quarter to the Principal Accountant General.
- b) A consolidated half-yearly report of all outstanding paras of all the Inspection Reports should be sent quarterly to the Secretary, Finance Department, demi-officially.

Note of posting of lists of corrections

Serial no. of corrections	Paragraph affected	Date of posting	Serial no. of corrections	Paragraph affected	Date of posting

Annexure 'A'

(Referred to in Para 22 of this manual)

Apart from Test Check covering 10% of the total transactions to be conducted at random, the detailed check of the following records for the selected month should be carried out as under:

Sl. No.	Item of documents to be checked	Quantum of detailed check	By whom to be checked
1	Cash Book (daily & monthly closing) a) Register of Receipt b) Register of Payments c) Register of adjustments with other State d) Register of adjustment by Transfer e) Register of Deposits with Reserve Bank f) Check of classification noted in the Cash Book	One month -do- -do- -do- -do- -do-	Inspecting Officer
2	Checking of monthly accounts for verifying whether all documents are enclosed with accounts a) Register of Receipts/Payments of Forests/PW transactions b) Preparation of division-wise schedules for Forest / PW transactions c) Register for noting transactions of Defenct/P&T Deptts.	One month -do- -do- -do-	
3	Registers of Receipts of all kinds of deposits a) Checking of Deposit Register with reference to repayments b) Checking of clearance Register of Deposit for verification of annual Lapsed amount c) Checking of Civil/Criminal Court Deposits. Checking of payment with reference to authority issued from Pr.A.G for repayment of Lapsed Deposit d) Personal Deposit Account-whether it has been opened with the specific authority from Pr.A.G; whether PD Accounts opened by drawing fund from Consolidated Fund have been closed at the end of the financial year	One month -do- -do- -do- All cases	Party in charge (AAO/SO No. 1) or as may be allotted by the Inspecting Officer

	and balance, if any, transferred to the Consolidated Fund by deduct entry under the service Major Head e) Deposits of Local Fund register for daily receipts and payments	All cases	
4	Advance-Checking of Register for advances drawn on AC bills. Whether adjustments are noted in Advance Register supposed to be maintained in treasury and whether DDOs are reminded for submission of DC bills	All cases	
5	a) Guard file of Specimen signatures of DDOs b) Guard file of Specimen signatures of Accounts Officer of Pr.A.G and other Accounts Offices	One month All cases	
6	Allotment Register-whether allotments are noted & progressive expenditure worked out	One month	
7	Pension Payment a) Register for payment of pensions for State/Central/Railways/Defenct/P&T/ Burma Pensioners b) Detail check of pension payment vouchers c) If pension is paid through Bank, whether certificate of payment has been obtained from bank d) Whether statement of undrawn pension for six consecutive months from bank are received and watched through Pension Payment Register e) Whether acknowledgement of receipt of pension paid through M.O are verified with the signature of pensioner with the pensioners bills f) Whether receipt of Life certificate, non-employment certificate, on-marriage/re-marriage declarations are watched. g) Checking of the amount of relief paid to pensioners on the basis of Govt. order (both State & Central Govt) h) Checking of payment of gratuity/commutation value of	One month One month One month One month One month One month One month	AAO/SO No.2 or as may be allotted to him by the Inspecting Officer

The Group Officer may select the month for detailed check. The concerned section at Headquarters' office shall send the requisite documents to the concerned treasury well in advance for use by the Inspection Party in course of Inspection of records.

(Ref: C&AG's General Circular No. 14-ACI/95 issued under Headquarters' office letter No. 554-ACI/SP/154-89 dated 4.12.95 and A.D.A.I's D.O. letter No. 302-ACI/SPIII/20-97 dated 4.3.97.)

Annexure – B
(Referred to in Para 37 (vii) of this manual)

Procedure relating to the accounting for transactions connected with the drawing and encashments of RBI remittances by treasury agencies.

ACCOUNTING PROCEDURE IN TREASURIES

1. Classification in accounts

All transactions connected with the drawings and encashment of Telegraphic transfers and drafts on Reserve Bank Account should be classified in the accounts of the treasury as “Reserve Bank of India Remittances” - receipts or payments as the case may be. Transactions in treasuries on account of such remittances issued on or by treasuries in Burma should also be accounted for in the same manner.

Actual telegram charges recovered by treasuries for issue of telegraphic transfers will be credited as miscellaneous receipts of the treasury, the service stamps required for dispatch of telegrams being debited as treasury contingencies.

Securities Deposit Interest drafts and Dividend warrant payment orders issued by the Reserve Bank which have hitherto been classified by treasuries on encashment under the head “Accounts with Reserve Bank” (vide footnote 368 of the List of Major & Minor Heads) should on introduction of the new scheme should be classified under the head “Reserve Bank of India Remittances-Payments”. See also paragraph 4(ii) below.

2. Issue of Telegraphic Transfers and Drafts

Under the revised procedure introduced by Reserve Bank of India w.e.f. 1st January, 1968, particulars of the Telegraphic Transfers and drafts drawn by treasuries on other treasuries and offices/agencies of the Bank should be recorded separately in Issue-cum-Drawing Schedule Register (Form TA-5 or 25-26) in which each drawing will be entered in a consecutive series in the order of issue. The register is designed in such a way that the treasury agencies will be able to prepare the issue Register and the Drawing Schedule simultaneously by carbon process, the original entries being recorded in the schedule.

3. Advices and Schedules of Drawings.

The total of the column ‘amount’ in the Issue-cum-Drawing Schedule Register should agree with the total receipts of the day booked under the head Reserve Bank of India Remittances in the cash book and also with the total of drawings as entered in the several advices for the day. At the close of the day, after the amounts are balanced, the schedule which contains the original entries should be detached from the Register and forwarded to the Accountant General on the same day. The applications for remittances will be retained at the Treasury.

(Authority O.M. No. 158/13(4)-67-68 dated 8.12.67 from RBI, Central Office, Bombay).

4. Encashment of Telegraphic transfers and Drafts.

As each Telegraphic transfers and Draft is encashed, the date of payment should be noted in the column provided for the purpose in the relevant advice, the entry being initialed by the Treasury Officer.

A record of RBI remittances encashed should be maintained in a register of RBI remittances encashed in which telegraphic transfers and drafts should be entered as they are paid, the daily totals being carried into cash book. At the close of the day, all encashments made during the day recorded in the register should be listed in a Schedule in the form prescribed by the Reserve Bank and forwarded to the Principal Accountant General in the same day after the total of the schedule is agreed with the total payments for the day under the head "Reserve Bank of India Remittances" in the cash book. The receipt drafts including payee's receipts in the case of telegraphic transfers should accompany the schedule as vouchers.

5. Drawings and encashments in Sub-Treasuries

Where Reserve Bank of India Remittances are drawn by or encashed at sub-treasuries, they will maintain Register of drawings and encashment and submit daily schedules of drawings and encashment to the Principal Accountant General in the same way as district treasuries, but the total drawings and encashment for the day should be intimated by the Sub-Treasury Officer (without details) to the District Treasury in the usual way. In the Cash Book of District Treasury, the total daily receipts and payments at each sub-treasury will be exhibited under a separate sub-head "Reserve Bank of India Remittances-Sub-Treasury". Such receipts and payments should not however be incorporated in the corresponding registers of the District Treasury. Sub-Treasury Schedules for all the days of the month up to and including the date of closing the sub-treasury accounts for that month should be prominently marked as relating to accounts for that month, the schedules for subsequent days of the accounts for that month, the schedules for subsequent days of the month being marked as pertaining to the accounts of the month following.

6. Drafts etc. cancelled.

Whenever a Reserve Bank of India Remittance is cancelled, the fact of cancellation should be noted in the register of Reserve Bank of India Remittances drawn against the relevant entry and intimation sent to the treasury or Bank drawn upon, by whom the fact should be noted conspicuously on the advice originally received. The amount when refunded by the drawing treasury should then be entered in the Register of Reserve Bank of India Remittances encashed and it must appear in the register even though issue and cancellation take place on the same day. The amount of the cancelled draft should simultaneously be entered in the proper columns of the schedule of drafts encashed for the day in which cancellation takes place, suitable remarks being made in the schedule indicating that the payment is on account of cancellation of draft already drawn by the treasury. The cancellation draft should accompany the schedule of encashment.

7. Draft etc. Exchanged

When a draft is exchanged for another, the original should be treated and entered as a draft presented for payment and the amount again credited as received for the issue of a new draft.

8. Issue of Duplicates etc. and Treatment of Lapsed Drafts.

The procedure to be observed for the issue of duplicates of drafts already drawn and the procedure relating to lapsed drafts will be as prescribed in the Treasury Rules framed by government.

Annexure – ‘C’
(Referred to in note under Para 40 (4) of this manual)

GOOD PRACTICE GUIDE ON TREASURY INSPECTION

A. Instructions received from Headquarters

1. **General Checks**

- (i) Vouchers pertaining to each schedule are arranged in numerical order and kept under lock and key till they are dispatched to the Principal Accountant General.
- (ii) Daily sheets received from Sub-Treasuries reporting the receipts, payments and balances of the day are examined and posted on the date of receipt into the accounts of the District Treasury and at least twenty percent of the vouchers paid at the Sub-Treasury are checked by the Treasury Officer and vouchers so checked bear his initials.
- (iii) In case of payments authorized by the Principal Accountant General's office, the specimen signatures of all Gazetted Officers who are authorized to sign payment orders or issue letters of authority for payments to be made at treasuries are available at the treasury and that the Treasury Officer actually verifies the signature on the bill etc.

2. **Custody of treasure**

- (i) The strong room is inspected by the Executive Engineer.
- (ii) Single and double locks of all Treasuries have been inspected by the Deputy Commissioner once in every financial year.
- (iii) Every Deputy Commissioner has made a systematic inspection of the working of the District Treasury with the object of ensuring that the procedure actually observed at the Treasury is in accordance with the rules.

3. **Padlock and keys thereof**

- (i) A register of padlocks belonging to the headquarters treasury, each sub-treasury or treasury with the object of ensuring that the procedure actually observed at treasury is in accordance with the rules.
- (ii) No spare padlocks exist at the treasury except with the permission of the competent authority.
- (iii) The duplicate keys of the strong room door are secured under the seal of the Treasury Officer and the Treasurer and are deposited in the District Court or in such other place as directed by the Government.
- (iv) The Treasurer has furnished sufficient security to protect Government against loss due to his negligence or fraud and the Treasury Officer has verified in April each year the financial status of persons who stood surety for Treasurer concerned.

4. **Treasury balance**

The Inspecting Officer should go through the Treasurer's Daily Balance Sheet for the period since the last inspection and satisfy himself that the total value of stamps, opium etc. held by the Treasurer in his custody from day to day does not exceed the prescribed limit. It should

be seen whether the Daily Balance Sheet has been signed by the Treasury Officer on the evening of the day itself to which it refers and agrees with that shown in the Accountant's daily balance sheet.

5. **Custody of valuables**

(i) The register of valuables prescribed as per rules for showing the receipts and return of chests, packets, etc. is properly maintained.

(ii) All the packets etc. containing valuables are properly sealed and kept under double locks.

6. **Stamps**

Stamps are kept in strong chest having two locks and the key of one invariably remains in the hands of Treasurer. The Treasurer should maintain a register of receipts and issue of stamps. The stock account of stamps and the connected records should also be scrutinized and these should bear the periodical certificates of physical verification of stock.

7. **Stamp Paper**

Stamp papers are kept in parcels of prescribed quantities. The inspecting officer should also see that the unopened packets of stamps bear no mark of having been tampered with.

8. **Treasurer's Cash Book**

(i) The Treasurer maintains only a simple cash book in which each transaction is entered at the time of its occurrence and is signed by the Treasury Officer.

(ii) All the cheques received in payment of service stamps are entered in both sides of the Cash Book and other payments made by transfer are not noted therein.

9. **Treasurer's Daily Balance Sheet**

Treasurer's Daily Balance Sheet maintained in the prescribed form is agreed with that of Accountant and that it is invariably signed by the Treasury Officer on the evening of the day to which it refers.

10. **Accountant's Cash Book**

Cash Book totals have either been checked by the Treasury Officer himself or by some principal Subordinate Officer other than the Accountant. The entries in the Cash Book should be examined with the daily totals of the Subsidiary Register to see that the latter have been initialed by the Treasury Officer.

11. **Watch Over LOC / FOC Ceiling**

The Inspecting Officer may make it a significant point to check that the Letter of Credit Ceiling is strictly watched by the Treasury Officer. Instances of over drawals should be taken as a very significant point.

12. **Pension Payments**

(i) Overpayment of Pension due to wrong calculation and due to non reduction of Commuted value of pension, payment of pension ever after the death of the pensioner and irregular unauthorized and doubtful payment of pension.

- (ii) There are separate files for each class of pension and that the Pension Payment Orders are posted in serial order.
- (iii) The files are kept in the personal custody of the Treasury Officer and are not accessible to pensioners and unauthorized persons.
- (iv) On receipt of intimation of the death of pensioner, the fact is noted on the reverse of the Pension Payment Order.
- (v) Payment of pensions made at Sub-Treasuries are duly noted on the disburser's halves of Pension Payment Orders over the initials of Treasury Officer.
- (vi) When a half yearly pensioner fails to apply for his pension for two & half years or when a monthly pensioner fails to apply for his pension for six consecutive months, causes of such failure are inquired into.
- (vii) In case of female pensioner, it should be seen that the names of their nominees are duly registered.
- (viii) In each pension bill not presented personally, a life certificate is given by the competent authority.
- (ix) Pensions in arrears have not been paid without the requisite sanction.

Inspection team before proceeding for inspection should collect the PPO particulars to facilitate check of pension payment at Treasuries. PPO particulars will invariably be provided by pension wing of A&E Office, as envisaged in Hqrs. Office letter No. 352.ACI/SP.III/50-99 dated 28th July, 1999.

13. **Personal Ledger Account**

- (i) Personal Ledger Account opened in treasuries has the approval of/or in consultation with the Principal Accountant General (A&E).
- (ii) There is proper sanction of the competent authority for opening the Personal Ledger Account.
- (iii) Scheme-wise details are given in Personal Ledger Account.
- (iv) Personal Ledger Account opened by diverting funds from consolidated fund has been closed at the end of financial year and balance, if any, transferred to the Consolidated Fund.

14. **Miscellaneous Checks**

- (i) Personal Deposit Accounts have been opened for specific purpose(s) and not for diverting funds from the Consolidated Fund.
- (ii) Proper Allotment Registers are maintained at the treasury and allotment of funds noted therein and that progressive expenditure worked out in all cases

(iii) Stores are purchased through the agency of the purchase organization of the Ministry of Supply of the Central Government when this is required by the orders of the government and that payments for such stores is made by the organization of the Pay & Accounts Officer, Ministry of Supply.

(Authority:- Headquarters circular No.9-Audit/MOM/97 circulated under No. 485-Audit (MOM) 87-87 dated 29th August 1997).

Hqrs office considering the various scams and irregularities noticed in States and to make Treasury Inspection more powerful and investigative instructed to closely examine the following items vide letter No. D.O. No.303.AC.I/SPIII/20-99 dated 4/3/97.

1. Rendition of Accounts

The delay in receipts of Treasury Accounts in Principal Accountant General (A&E)'s office has come a problem in almost all States. The delay may be due to (i) delay in complication of Accounts by treasury staff, (ii) late receipt of sub-treasury accounts by treasuries and (iii) delay in receipt of bank scrolls by treasuries from Bank. There is need for the Inspection Party to make an in-depth study of the reasons for the delay in compilations of accounts at the treasuries and suggest remedial measures to minimize the delay in rendition of accounts by the treasuries to Principal Accountant General's office.

2. Missing Vouchers

The non-submission of vouchers/schedules along with the List of Payments by the treasuries poses a problem for the compilation of accounts in Principal Accountant General's office. This results in missing vouchers in the list of payments and in keeping the amount under the head 'Suspense'. The Inspection Party should go into the system followed in the treasuries in regard to submission of accounts to Account General's office. The party may also ensure that there is no case of intentional/deliberate non-submission of vouchers/schedules along with List of Payments.

3. Personal Deposit Accounts

Over the years, it has been noticed that State Governments have been resorting to irregular practice of diverting funds by debiting the Service Major Heads of expenditure and crediting them in Deposits Heads under Public Accounts. This avoidable practice is being resorted to ensure that there is no savings under a budget grant. Heavy balances remain unspent under Personal Deposit Accounts although the amount stand finally booked under major head of accounts as expenditure incurred as soon as the amounts is withdrawn from the Consolidated Fund of the State. With regard to Personal Deposit Accounts, it is to be seen whether the accounts have been opened for specific purpose(s) and not for diverting funds from the Consolidated Fund.

4. Expenditure as per allotment

Cases have been noticed where Drawing & Disbursing Officers have been known to incur expenditure in excess of allotment of funds by manipulation. The Inspection Party is required to scrutinize the procedure for passing bills by the Treasury Officer. It is to be seen that the prescribed procedure is followed scrupulously by the Treasuries. It should also be ensured that proper Allotment Registers are maintained at the Treasury and allotment of funds noted therein and that progressive expenditure worked out in all cases.

5. Withdrawal through Letter of Credit

Some of the State Governments introduced the system of Letters of Credit (LOC) for regulating withdrawal of funds under certain heads of accounts. The Treasury/Sub-Treasury

Officers are instructed to allow withdrawal of funds by various Drawing and Disbursing Officers as per the Letters of Credit issued by the Secretaries of the different departments of the government. In one of the States, instances had come to notice where excess withdrawal were made by Drawing and Disbursing Officer from the treasury against LOCs issued by the department. The excess withdrawals were made on the basis of forged documents and were made possible on account of improper maintenance of records by Treasury Officers. It is the duty of the Treasury Inspection Party to examine the system followed in the State with special emphasis on the following aspects:

- a) the authority competent to issue LOCs in the State is to be seen
- b) Whether proper Registers are maintained by Treasury Officers to note all LOCs issued by the Departments
- c) Whether any payment has been made in excess of limit prescribed in the LOC.

Further, DDO-wise Budget Allotment Registers are required to be maintained by the treasuries to watch that the expenditure by the DDO does not exceed the allotment under each object heads. During the course of inspection if this Register is not found to have been maintained, the non-maintenance shall be incorporated as paras of Inspection Report stressing the need for the maintenance of the same by the Treasury Officer as envisaged also in Headquarters Officer letter No. 352.ACI/SP.III/50-99 dated 28th July , 1999.

As the Principal Accountant General (A&E) only test check the records maintained at Treasuries/Sub-Treasuries at the time of inspection, Departmental authorities are actually responsible for conducting detailed inspection. During inspection, if it is found that the Director of Accounts & Treasuries is not regularly conducting inspections, the need for such inspections should be impressed upon the State Government. The Government should also be made to make available reports of inspections conducted by the Director of Accounts and Treasuries.

Treasuries should ensure maintenance of Allotment Register for each DDO to watch any excess over allotment instead of relying on the certificate recorded on bills by DDO.

The Treasury Inspection Party should check the entries of Treasury Balance Sheet and Cash Book with Daily Account Sheet sent to Direct Treasuries by Sub-Treasuries.

Classifications recorded on bills/receipt schedules available at Treasury need to be checked by Treasury Inspection Parties.

Delay in submission of Accounts by Treasuries should be investigated.

Book Transfer Register maintained in the Treasuries shall be reviewed to see that transfer have not been made to avoid lapse of Budget/Grant.

(Authority: Headquarters Office D.O. No. 207-(Audit-Plag/798-I dated 02.07.99)

B. Instructions issued locally by the Principal Accountant General (A&E)

1. Parties shall discuss the outstanding paras if any of previous Inspection Reports and submit record note of discussion to the Inspection Cell.
2. Inspecting Officer should submit the draft Inspection Report within a fortnight after completion of Inspection along with POS. Key documents must be collected in support of serious irregularities.
3. The Party should collect the Treasury Suspense Figures from the Treasury Section before proceeding for inspection. Materials collected from Treasuries against the figures for clearance of Treasury Suspense are to be submitted to the Inspection Cell for onward transmission of the Treasury Section.

4. The Party should see that:
 - a) DDO wise expenditure during the 1st quarter of the financial year should not exceed the proportionate expenditure in comparison to that of the last year as receipt of approved budget allotment is delayed in the department due to legislative process.
 - b) The Treasury has been inspected regularly by the Deputy Commissioner.
 - c) Special emphasis should be given to detecting cases of diversion of funds by the Controlling Officers without proper justification and each inspection report should include a para on diversion of Funds. When there is no case of diversion of fund, the fact may be included as “No diversion of fund noticed.”
 - d) The inspection party will check invariably the VDMS (Verified Date Wise Monthly Statement) with the Cash Book of the respective Treasury during inspection with effort to minimize the Reserve Bank Deposits discrepancy, if any in the R.B.D.
 - e) Worthwhile cases noticed during inspection should be highlighted and brought to the notice of Inspection Cell immediately.

C. Additional instruction issued locally by Principal Accountant General:

1. To check Establishment Cash book and vouchers of office expenditure/purchasing of stationery etc. from approved firm.
2. To check Service Books of Treasury establishment with leave accounts.
3. To check payment vouchers/rents deducted for government quarters/drawal of HRA at the appropriate rate/deduction of GPF as per government instruction, professional tax, etc.
4. To check pay bills of Gazetted Officers with reference to pay slips issued from A.G. (A&E), etc.
5. Position of sentries posted in strong room and periodical inspection by Superintendent of Police and certificate to that effect obtained by Treasury Officer.
6. Packets of valuables having certificate of content by depositor as well as its periodical inspection by depositor.
7. Verification of token account and its maintenance in the prescribed form, realization of penal charges for lost tokens and timely intimation to banks and police for such loss of token to guard against fraudulent drawals by using those tokens.
8. Payment of authorities of GPF Final Payment/Leave encashment/commuted value of pension etc. issued by Pr.A.G./Director of Pension timely before expiry of validity & return of the same whose validity is expired.
9. Maintenance of Inward Register for authorities etc. issued from Pr.A.G./Director of Pension.
10. Before passing the bill for payment, the Treasury Officer should keep the specimen signatures slip of Government Servants who draw on his treasury or countersign bills drawn on it in a register for reference. Treasury Officer should pass the bill for payment presented before him only after satisfying himself inter-alia about:
 - i. The authenticity of the claim
 - ii. The genuineness with reference to the signature of the Drawing and Disbursing Officers.
 - iii. The authority quoted for drawing the bill is true, relevant and appropriate.
 - iv. Any correction, that is unavoidable genuine and authenticated.

These checks are mandatory and should routinely be exercised for each and every bill. To ensure that these checks are exercised and to prevent last minute rush, government have

ordered that establishment bills are to be presented at the treasury at least five days in advance of the pay day. It is the exercise of these essential checks that assures the continued viability of the system.

11. Every drawing officer shall attach to each bill presented at the treasury for encashment, a slip in the prescribed form duly filled in. These slips will be detached and returned to the drawing and disbursing officer (DDO) with the voucher number and date of payment noted therein as soon as possible after the bill have been paid at the treasury or bank and voucher number have been assigned to them. The Treasury Officer is responsible for sending the form for recording all the particulars.

As this procedure involves a minimum of three levels of the hierarchy in both the offices of DDO and TO, this is an effective check against collusive fraud. It is only when two or more levels neglect to implement the procedure and are known to so neglect that the system can be compromised by collusion between a single level of the hierarchy each in the Officers of DDO and T.O.

Every Drawing office should enter particulars of all bills, including bills of Gazetted Government servants that they are presented for payment at the treasury in a book called "Treasury Bill Book." Only one Treasury Bill Book register is given to each DDO and an account of the issue of the register has to be maintained by the Treasury Officer. The Treasury Officer should not pass any bill for payments unless the Treasury Bill Book is presented with it. Treasury Officer should fill up column no., date, etc. on which the bill was received at the treasury, the token no., the initials of Junior Assistant who receives the bill and the dated initials of the STO/Accountant of the Treasury before finally passing the bill for payment.

12. Orders of the government tin regard to quarterly budget allocation of each DDO are sent to the Treasury Office to monitor the DDO wise expenditure against the budget provision. Though an exemption clause is provided in the G.O. for the "Saliries" component with a view to avoid hardship to the Government servants in getting their salaries i.e. Treasury Officer need not refuse payment if the bills exceed budget provision of DDOs, this does not absolve the Treasury Officer from watching the progress of expenditure. Power to pass salary bills beyond the budget allocation should not be taken to imply a waiver of the duty to watch expenditure.

13. As per para 6.1 and 7 of chapter 2 of Part (iii) Finance Deptt. Hand Book of General Circulars of Govt. of Assam, the reconciliation of Departmental figures with those of the Pr. A.G. (A&E) is mandatory. An official from DDO office shall reconcile the figures as booked in his office books with the treasury office and communicate the same to the Controlling Officers for onwards transmission to the Chief Controlling Officer for reconciliation with the Pr.A.G. office. The Chief Controlling Officer (CCO), the Head of the Department, is the authority for reconciling the figures with the Pr.A.G. office. But both of them would not be in a position to notice any discrepancy as the individual DDO figures would have been merged with others figures submitted by different Controlling Officers. To overcome such problems, internal audit of the treasuries is to be conducted by Director of Account and Treasuries and of the Department by Head of Office concerned. The Departmental audit should undertake a cent percent check of

all records, especially establishment vouchers. This is an effective internal control mechanism, should be implemented and followed up without exception.

As per minutes of the meeting taken by Pr. A.G. on 25.02.2005, the field parties have to collect particulars of outstanding HBA cases from the Loan 1 Section, where cases are long pending for settlement of pensionary benefits and invariably pursue the same with the concerned DDO/Departmental Heads under the jurisdiction of the respective Treasury Officers and action taken on that matter should also be incorporated at the time of submission of their draft report.

The field parties will collect a detail list of wanting SSWT (relating to PWD and Forest Divisions) from Treasury Inspection Cell. The Field Party will call the concerned DDO at the Treasury under the jurisdiction of the respective Treasury Officers and hand over to him/them the list of wanting SSWT (Form No. 4, Form No. 15 in respect of Forest Department for Cheque drawn and schedule of remittances of revenue and Form No. 51 for Schedule of Monthly Settlement with Treasuries in respect of Works Department) with a request to furnish the same in complete shape to the Inspection Party and accordingly the Field Parties will submit the Forms/Reports to the concerned PWD/Forest Section of this office through DAG (A/Cs).

As per Headquarter letter dated 12.07.2006, the field parties should scrutinize and collect the following information from the respective treasuries:

1. Timely submission of Accounts by Treasuries to Principal Accountant General office.
2. Submission of wanting vouchers/certificates of payments/receipts.
3. Certificate of acceptance of balances in Personal Deposit Accounts.
4. Annual Inspection of Strong Room/Certificate of fitness by competent authority of the State Government.
5. Clearance of objection book suspense.
6. Misclassification at treasury level.
7. Checking of Pension payments.
8. Accumulation of time barred cheques.
9. Unused stamps/excess stock of stamps.
10. Non-recovery of government dues like Income Tax.
11. Adverse balances under letter of credit.
12. Checking of DDO wise allotment registers.
13. Checking of minus balances/adverse balances under Debt, Deposit and Remittance heads as appeared in the Public Accounts of the State Government.
14. Clearance of outstanding Inspection paras by Treasury Officers.
15. Status of Computerization of Treasuries and its interface with the computerized accounting system of Principal Accountant General office.

(Authority: Headquarter circular No. 229-AC I/SP 111/153-2000 dated 12.7.2006)

Annexure 'D'
(Referred to in Para 22 of this manual)

OFFICE OF THE ACCOUNTANT GENERAL (A&E), ASSAM
MAIDGAMGAON, BELTOLA, GUWAHATI 0 781 029

No. 1

Dated: 25.5.09

Office Order

The Headquarters Office vide D.O. letter No. 243 ACI/SPIII/5-2005 dated 2.4.09 has directed all the Accountant General (A&E) offices to closely monitor the position that all checks/areas are covered in Treasury Inspections with a view to ensure detailed checking of treasury functions by the Treasury Inspection Parties as well as to ensure accountability of the Treasury Inspection Party officials at all levels. Accordingly, the Accountant General (A&E), Assam has prescribed a checklist (Annexure '1') for the Treasury Inspection Parties and Allocation of work list (Annexure '2') for the officials of the Treasury Inspection Parties for ready reference.

2. A copy each of the checklist and the Allocation of work list is, therefore, circulated for the information of all the officers and staff and also for strict compliance of all the Treasury Inspection Parties who may be deputed for conducting treasury inspections in future.

3. With a view to ensure smooth function of the Treasury Inspections, the Accountant General has decided to send all the Sr.AOs/AOs, AAOs/SOs on rotation basis for Treasury Inspection duties in future. The annual roster in this regard will be prepared in the order of seniority and displayed in the Notice Boards for the information of all the officers and staff so that the officials concerned can get prepared to go on the treasury inspection duties without fail when their turn comes.

4. The Treasury Inspection Cell is directed to monitor the performance of each Treasury Inspection Party with reference to the above checklist and to submit a quarterly report by the 1st week of May, August, November and February each year to the Accountant General giving the details of compliance or otherwise of all the Inspection Parties which performed inspection of treasuries during the previous quarter. This item may be included in the sectional Calendar of Returns for watching the progress in this regard.

[Authority: AG's order dated at P/12n of File No. TI/AR/Vol-II/2007-08]

Sd/-
Sr. Accounts Officer
Treasury Inspection Cell

Memo No. TI/AR/Vol-II/2007-08/104-109

Dated: 25.5.09

Copy for information and necessary action to:

1. The Secretary to the Accountant General
2. The Deputy Accountant General (Admn)
3. The Deputy Accountant General (A/Cs)
4. The Deputy Accountant General (P&F)
5. All the Branch Officers
6. All the AAOs/SOs. They are requested to bring the contents of this order to the notice of all the officials working under them

Sd/-
Sr. Accounts Officer
Treasury Inspection Cell

Checklist for the Treasury Inspection Party

(The checklist duly filled in and signed by all the Treasury Inspection Party members should be submitted to the Treasury Inspection Cell on completion of the Treasury Inspection by the Inspecting Officer along with his Inspection Report)

S1 No	Areas/items to be verified in treasury inspection	Pl. state whether verified or not against each item	Give details of Para nos if any included in the IR
1	Service Book, Leave account of Treasury establishment		
2	Pay, Medical, TA bills – all aspects		
3	Contingent Bills – all aspects		
4	Budget Allotment register		
5	Use of authorized forms		
6	Submission of accounts returns		
7	Cash Book		
8	Daily balance sheet		
9	Subsidiary registers		
10	Stamp account		
11	Register of Reserve Bank Deposits		
12	Register of Reserve Bank of India Remittances		
13	Register of Deposits		
14	Register of specimen signature		
15	Rendition of Accounts		
16	Missing vouchers		
17	Personal Deposit Accounts		
18	Procedure for presenting of Bills with treasury and returns thereof after passing them		
19	Register of payment made against Letter of Credit		
20	Withdrawal through Letter of Credit		
21	Arrangement for the Custody of treasure-single and double lock arrangement		
22	Register of treasury irregularities		
23	Deposit of Local Fund		
24	Clearance register and Lapsed Deposit statements		
25	Register of valuables		
26	Padlock register		
27	Payment of pension (civil and other pensions)		
28	Payment of other State pensions – classification check		
29	Payment of Military pensions – classification check		
30	Inspection of Treasury by the DC and the Director of Accounts & Treasuries		
31	Furnishing of sufficient Security by Treasurer		
32	Diversions of funds made to 8443-Civil Deposits		
33	Furnishing of replies to all outstanding IRs and paras – review of maintenance of records		

34	Submission of DC bills by due dates for all AC Bills		
35	Reconciliation of DDO figures with Treasury figures		
36	Unauthorized access or changes to data or programme – security environment		
37	Pension payments – whether Life Certificate, remarriage certificate obtained		
38	Custody of cheque books and Receipt books		
39	Cheques and Letter of Credit		
40	Classification of other State pensions, Military Pensions, Payment of Central pensions		
41	Check of outstanding amounts under treasury suspense for wanting vouchers etc.		
42	Purchase of stores – following of prescribed procedures		
43	Whether vouchers of each schedule are arranged in numerical order and kept under lock and key		
44	Token register, lost token etc.		
45	Receipt and return of DMS/VDMS by due dates		
46	Submission of Six monthly statement of cases of failure to draw pensions to AG		
47	Sorting out of cases of pensions which have ceased to be payable at the treasury by examining files of PPO every month and returning his halves of PPO to the AG along with the statement.		
48	Whether Specimen signatures of DDOs authorized to sign bills are kept properly		
49	Records relating to inspection of the Treasury by the EE, PWD and SP		
50	Accounts and custody of Cheque Books and Receipt Books		
51	Submission of Plus Minus memoranda regularly		
52	Recording of all receipts and payments as per receipt and debit scrolls in Accountant Cash Book and RBD Register		
53	Excess payment of pension		
54	MLA Area development Fund		
55	Unutilized amounts under 10 th , 11 th and 12 th Finance Commission grants		
56	Deduction of GPF, Standard License fees etc as per rules		
57	Availability of manuals – Treasury Rules, Assam Financial Rules		
58	Proper classification in LOP & Cash a/c, Bills etc.		
59	Observations on the functioning of CTMIS package		
60	Challan Issue Register & Challan Passing Register		
61	Recovery of govt. dues etc from DCRG & Commutation		
62	MLA Area Development Fund		
63	Unutilized amounts under 10 th , 11 th , and 12 th Finance Commission Grants		
64	Deduction of GPF, Standard License Fees etc as per rules		
65	Availability of Treasury Rules, Assam Financial Rules and other Manuals		

Acctt/Sr. Acctt

SO/AAO

AO/Sr.AO

Allocation of work among the members of the Treasury Inspection Party

(NB: The works of the Sr.AO/AO mentioned below will be performed by the AAO/SO in the case of inspection of Sub-Treasuries as there is no supervision at the level of Sr.AO/AO at present)

Sr. Accounts Officer/ Accounts Officer

- **Custody of treasure** – (i) Annual inspection by EE, PWD, (ii) whether single and double locks of all Treasuries have been inspected by the DC once in every financial year (iii) systematic inspection of the working of the Dist. Treasury by the DC.
- **Padlocks and Keys thereof** – (i) whether register of padlocks belonging to Dist. Treasury and Sub Treasuries maintained in proper form and kept in Strong Room and all entries made therein are attested by T.O.; whether any spare pad locks exist at the Treasury without the permission of the competent authority, whether the duplicate keys of the Strong Room door are secured under the seal of the T.O. and the Treasurer and whether the keys are deposited in the dist. Court or other place ordered by the Govt.
- **Stamp Papers** - (i) whether stamp papers are kept in parcels of prescribed quantities. Whether unopened packets of stamps bear no mark of having been tampered with.
- **Treasurer's cash book** – whether the Treasurer maintained a simple cash book and all transactions entered chronologically and signed/attested by T.O. whether all cheques received in payment of Service Postage Stamps are entered in both sides of Cash Book and whether other payments made by transfer are not noted therein.
- **Whether Treasurer has furnished sufficient Security** to protect govt. against loss and the T.O has verified the financial status of the persons who stood surety for Treasurer each year.

Strong Room

- **Currency Chest balance** – the IO should go through the Treasurer's daily balance sheet for the period since last inspection and satisfy himself that the total value of stamps, opium, etc. held by the Treasurer in his custody from day to day does not exceed the prescribed limit. Whether Daily Balance Sheet was signed by T.O. on the same day and agreed with that shown in Accountant's Daily Balance Sheet.
- **Custody of valuables** – whether the register of valuables kept in prescribed form; whether all receipts and return of chests, packets etc. is properly maintained; whether all the packets etc. containing valuables are properly sealed and kept under double locks.
- **Last Inspection Report** – whether replies to all outstanding inspection reports/paras have been furnished.
- **Whether any Diversion of Funds has been made** – Cash Account for March and Civil Deposit Register may be checked.
- **Whether all receipts and payments as per receipt and debit scrolls have been entered in Accountant Cash Book and RBD Register** may be checked.
- **Check for any discrepancy of figures between Accountant Cash Book and Monthly Cash Accounts.**
- **Whether DCC bills have been submitted by due dates for all AC Bills drawn.**
- **Reconciliation of DDO figures with Treasury figures.**

- *Whether stamp accounts have been maintained as per procedure.*
- *Unauthorized access or changes to data or programme – security environment for computer in the office, anti-virus software used or not, testing of the software programme may be checked.*

Assistant Accounts Officer / Section Officer

- *Government Securities*
- *Promissory Notes*
- *Cash Chests and valuables of other Departments*
- *Accountant Cash Book and Balance Sheet – whether Cash book totals are checked by the T.O. The entries in the Cash Book should be examined with the daily totals of the Subsidiary register to see that the latter have been initialed by the T.O.*
- *Custody, supplies and sales of opium*
- *Incorporation of Sub Treasury Accounts*
- *Maintenance of Personal Ledger Account as per procedure – whether opened with the approval of AG; whether sanction of competent authority to open PLA available; scheme wise details are given in PLA; closed at the close of each financial year by transferring balance to Consolidated Fund.*
- *Delay in submission of Monthly Accounts.*
- *Pension payments – whether Life Certificate, remarriage certificate obtained; failure of the pensioner to appear for pension for six months/one year should be investigated, whether any arrear pension was paid without sanction of the competent authority.*
- *Custody, supply and sale of stamps – whether stamps are kept in Strong Chest having two locks and the one key with the Treasurer. A register should be maintained wherein all receipts and issues are noted. Periodical certificate of physical verification of stamps to be recorded in the register.*
- *Custody of cheque books and Receipt books*
- *Cheques and Letter of Credit*
- *Treasuries accounts*
- *Civil Pensions – to see file of PPOs is complete and payment recorded on PPOs are attested by the T.O.; separate registers for each class of pensions and PPOs are serially pasted, files are kept in the personal custody of the Treasury Officer and not accessible to pensioners and strangers; death noted on the reverse of PPO*
- *Military Pensions*
- *Payment of Central pensions*
- *Check of outstanding amounts under treasury suspense for wanting vouchers etc.*
- *Purchase of stores – whether prescribed procedures are followed*
- *Budget Control Register/Ceiling Register – whether LOC ceiling is strictly watched by the T.O. and no over payment is allowed.*
- *Gazetted Officer's salary register – to see the period of last payment and it tallied with LPC issued.*
- *Whether vouchers of each schedule are arranged in numerical order and kept under lock and key*
- *Whether Daily Sheets received from Sub Treasuries*

- *Whether specimen signatures of officers authorized to sign authorities by AG/Director of Pension are kept properly.*
- *Whether specimen signatures of officers authorized to issue Budget Ceilings/LOC are kept properly.*
- *Accounts of Cheque Books and Receipt Books*
- *Any other works as may be allotted by the Inspecting Officer*

Sr. Accountant / Accountant

- *Deposit transactions – receipts and payments*
- *Register of repayments*
- *Plus minus memoranda – whether regularly submitted*
- *Lapsed statements – whether regularly submitted*
- *Service books/Leave accounts of Treasury Establishment*
- *Refund of Civil Deposits*
- *Token register*
- *Receipt and return of DMS/VDMS*
- *Any other work as may be allotted by the Inspecting Officer.*
- *Submission of returns to Pr.A.G. – (i) whether the Cash account, the List of payment with schedules were submitted to the Pr. A.G. by due dates. (ii) whether six monthly statement of cases of failure to draw pensions were submitted (iii) whether T.O. had sorted out cases of pensions which have ceased to be payable at the treasury by examining files of PPO every month and returned his halves of PPO to the Pr. A.G. along with the statement.*

Annexure 'E'

Audit Objections raised by Audit Office

It should be seen that the objections communicated by the Pr. A.G. (A&E), Assam (i.e. Treasury Inspection Cell) receive prompt attention to the Treasury Officer and that they are not kept pending unnecessarily.

Common Defects noticed in Treasury Accounts

1. The Deputy Commissioner is required to verify the District Treasury Balance in person at least once in every six months but this is not being done regularly.
2. The Deputy Commissioner when at headquarters should sign the cash accounts and list of payments.
3. Unauthorized heads are opened in cash accounts and the list of payments.
4. The amounts of schedules and other documents such as Plus Minus Memos do not sometimes agree with the relevant amounts booked in the cash account and list of payments, suggesting that they are not carefully prepared and compared before sending to this office.
5. The payments and receipts schedules, Plus Minus Memos and several other documents are not sent along with the accounts with the result that the work of compilation of accounts in this office is held up. The documents are not supplied along afterwards even, in spite of reminders. This is very serious.
6. The manuscript heads are not opened in their proper places under the major and minor head concerned with the result that the figures have to be recast in this office. Nor are totals by major heads struck in the cash account and list of payments.
7. Some times no covering schedules (Receipts and Payments) are prepared and the vouchers are individually booked in accounts and
8. Separate heads are provided for Refund of the undisbursed tacavi advances and for repayment of "Q-Loans and Advances" but the two are booked together instead of being shown separately. Inspection staff should see that the defects pointed out above are carefully attended to by the treasury staff to avoid them in future. If, however, they continue, the matter should be specifically mentioned in the inspection report to be brought to the notice of the government.
9. Submission of daily accounts of receipts/payments rendered to the Principal Accountant General/Treasury Officer by the offices of the RBI and the branches of agency banks.

Appendix – 1

COMMON IRREGULARITIES NOTICED DURING INSPECTION

1. Inspection of Department Officer

As per codal provisions, every District Commissioner/Sub-Divisional Officer should conduct a systematic inspection of his treasury/sub-treasury once in six months. Similar inspection should also be conducted by the Director of Treasuries and the defects and shortcomings noticed during such inspections should be reported to the Commissioner of the District, Finance Commissioner and the Principal Accountant General. No such inspection was found to be conducted by the above referred offices leading to deterioration in the working of the treasury.

2. Non compliance on outstanding objections

In spite of regular and repeated reminders, Treasury Officers are not taking any steps for compliance on outstanding objections of old inspection reports, resulting in poor quality of accounts being rendered to Principal Accountant General office.

3. Strong Room

- i. As per the codal provisions, the strong room should be inspected annually by the Executive Engineer or by an experienced Assistant Engineer who would issue certificate of security and suitability of the Strong Room. But no such certificate was obtained by Treasury Officer.
- ii. As per the codal provisions, the District Superintendent of Police should record an order, prescribing the position of Sentries. The said order is also not found displayed.
- iii. No fire extinguishers are generally found installed near the Strong Room, in spite of the fact that valuables and stamps worth crores of rupees are kept the Strong Room.

4. Stamp Account

- i. As per rules, the Clerk dealing with stamps is required to furnish cash security of Rs. 500/- and two security bonds of Rs. 1000/- each. On scrutiny, it was found that neither cash security nor security bonds were furnished by the Stamp Clerk.
- ii. Non-disposal of obsolete Stamps: On scrutiny, it is generally found that obsolete stamps of heavy amounts are still being kept in stock for long time. But no action for disposal of those stamps has been taken by Treasury Officer.
- iii. Plus and minus memoranda should be prepared in Form TA-46 for the transactions of account of each kind of stamps and furnished to the Accountant General along with monthly accounts. But no plus and minus memoranda was ever found prepared and rendered to Accountant General.
- iv. As per codal provisions, the Collector should satisfy himself by annual examinations that the stamp accounts are correct and the stock of stamps corresponds to the book balance.

There was nothing on record to establish that the required verification was done by the Collector.

5. Register of valuables

Test check of the register of valuables revealed the following irregularities:

- i. As per Codal provisions, the sealed bags containing valuables lodged in the treasury for safe custody should be taken back by the depositor in April each year or earlier and after verifying the contents thereof, the bags should be returned to the treasury under fresh seal. But it is generally observed that the valuables were not checked by the depositor since long.
- ii. As per Codal provisions, the duplicate keys of the departmental chests kept in the Strong Room should be obtained by the depositor in April each year, examined and returned under fresh seal to the Treasury Officer. But the required verification had not been done since long.

6. Misclassification of transactions

As per the list of Major & Minor Heads of Account, all recoveries on account of Group Insurance in respect of All India Service Officers are to be brought to account under the minor head 123-Group Insurance of A.I.S. officers under the Major Head 8658-Suspense Account. On scrutiny, it was found that subscriptions on account of Group Insurance in respect of All India Services Officers were found to have been accounted for under Major Head 8011-Group Insurance, which is meant for State Government officials.

Further, it was noticed that at the time of making payment of pension to the pensioners of other states, Treasury Officer classifies the transaction under the Head 2071-Pension & Contribution instead of 8793-Inter-State Suspense Account-Amount adjustable by other States, resulting in an unnecessary burden on the State exchequer.

7. General Provident Fund

It was also noticed that GPF final payments were made on the basis of DDOs copy of the authority or Xerox copy of the DDOs copy of the authority violating the procedure which may result in duplicate payment.

8. Delay in Rendition of Monthly Treasury Accounts

As provided in codes and rules, the Cash Account, List of Payment, Supporting Schedules, Vouchers, Challans and plus and minus memoranda in respect of all classes of Deposit Accounts shall be rendered to the Office of the Accountant General. As a matter of fact, treasuries normally fail to adhere to the time schedule for rendition of accounts to the Principal Accountant General office. This is a serious irregularity on the part of the treasury and abnormal delay in rendition of accounts leads to:

- a) Large scale exclusion of current accounts and inclusion of arrear accounts in a month's account to which these accounts do not relate.
- b) The monthly accounts compiled in Principal Accountant General's office do not reflect the exact picture of the monthly transaction taking place in that very month.

- c) Principal Accountant General is not in a position to keep a watch over the progress of expenditure (excess/savings) till the closure of annual accounts of the State.
- d) Serious delay in reconciliation and settlement of accounts with the Reserve Bank of India, Central Department and other State Governments as well as finalization of Annual Accounts and preparation of Finance and Appropriation of Accounts of the State.
- e) Abnormal delay in issuing of verified statement of expenditure certificates to the Principal Accountant General (Audit) for issuance of audit certificate in respect of World Bank/Foreign Government aided Projects, Central Plan/Centrally Sponsored Scheme and State Plan financed out of Central Budget as well as the preparation of Budget Estimates of the State and furnishing of actual to the Central/State Planning Commission and the Finance Commission.

Finally, this delay in rendition of accounts badly affects the ways and means position of the state.

9. Non-Maintenance of Allotment Register in Treasury

An allotment register is required to be maintained by the Treasury Officer to record DDO-wise allotment of funds for the year and verify and watch progressive expenditure against the allotment.

But no such register was found maintained in the treasuries, resulting in excess drawal over the allotment by the DDOs.

10. Non-Maintenance of Guard File of Specimen Signatures

As per Codal provisions, guard files of specimen signature of DDOs, Controlling Officers and officers of the Principal Accountant General' office (who are authorized to issue authorities) should be maintained and must be kept under the personal custody of Treasury Officer. Before authorization of payment in respect of claims presented at the treasury, the Treasury Officer should verify the signature with reference to the signature pasted in guard file.

However, it was found that the specimen signatures received from the state officers and the Principal Accountant General office were not posted in the guard file in serial order, leading to non-production of the specimen signature guard file to the inspection party required for verification of signature of authorized officers affixed on G.P. Fund payments, Refund vouchers, PPOs, letter of authorities of commuted value of pension and gratuity etc. As a result, the genuineness of signatures affixed on such bills and authorities could not be verified in inspection, despite the existence of serious irregularities in preparation and passing of such bills for payment.

11. Non-watching of progress of expenditure due to improper maintenance of Letters of Credit Register.

As required under the Treasury Code, the Treasury Officer should maintain three registers in prescribed form I (Register of Allotment Received), form II (Register of Letter of Credit issued to Sub-Treasury by District Treasury) & Form III (Register of Progressive Expenditure of LOC)

On scrutiny of records, generally it was seen that only one register for the allotment and authorization of payment under the letter of credit system are found maintained in the treasuries, without showing the allotment provided under the various object heads of account such as purchase of materials, work charged establishment, contingent charges and payment to contractors and suppliers etc. Similar is the case of register maintained for issue of L.O.C. to sub-treasury. The most important register, i.e. register to watch progress of expenditure of LOC (form III) was not maintained at all. As a result, cases of excess drawal were prevalent, and noticed during inspection.

12. Non-maintenance of Reserve Bank Deposit Register and Submission of Unverified VDMS (Verified Date-wise Monthly Statement) to Accountant General

Generally, no register of Reserve Bank Deposit was opened and maintained in district treasuries. As a result, no checking of figures with that of the figures shown in the Pass Book forwarded to the Treasury Officer by the Bank along with daily account of both receipts and payments was done and agreed upon. This led to the accumulation of huge outstanding un-reconciled balances under R.B. Deposit Suspense head. Under such circumstances, it is not known as to how the Treasury Officer managed to send VDMS to the Accountant General, without verification and agreement of balance as required under rules.

13. Improper Maintenance of Cash Book, Compilation of inaccurate accounts, scope of fictitious transactions:

The form and procedure with regard to the initial accounts kept in the treasury and the methods and principle in accordance with which the accounts are kept shall be governed by the provisions contained in Articles 32 to 56 of the Account Code Volume II.

- A complete account of cash transactions and book transfers relating to District Treasury should be kept in Cash Book in Form TA-1.
- Erasures and overwriting in any account, register, schedules or cash book are absolutely forbidden.
- The Accountant should examine totaling on each side of the Cash Book from the Subsidiary Register/Schedules.
- The Treasury Officer should verify the totaling of the Cash Book or get it done by a subordinate officer other than the Accountant.

On test check, it was noticed that figures in Cash Book had been altered by erasing and overwriting. It was also seen that there were differences between the figures of schedules and cash book. In respect of these irregularities, neither the Accountant nor the Treasury Officer had checked the totaling and carry forward of figures from schedules to cash book and vice-versa. This confirms that the subsidiary registers and schedules were not properly maintained and prepared, leading to the carry forward of incorrect figures to the cash book. Further, these mistakes might have taken place intentionally to cover up excess, fictitious and fraudulent drawals in collusion with the staff of DDOs' office. This also indicates that the accounts

compiled by the treasury are inaccurate, resulting in creation of huge balances under treasury suspense and objection book suspense year after year.

14. Specimen Signature not cancelled even after the issue of L.P.C.

It has been noticed that even after the transfer of officers and issue of LPC, the specimen signatures are not found cancelled, which may result in fraudulent drawal of pay and allowances.

15. Details of Pay Slip not recorded in the Salary Register

This non-recording of relevant information in the Register may lead to over payment of pay and allowance.

16. Non-adjustment of outstanding advances

During test check of registers, it was found that subsequent advances were allowed before adjustment of the previous advances which had been pending for adjustment for a long time.

The circumstances, under which the second advance was authorized for payment, when the first advance was taken for the same purpose was pending for adjustment, were not available on record.

17. Non-recovery of Income Tax from Monthly Salary

Test check showed that Income Tax recoverable at source under the I.T. Act 1961 was not recovered from the monthly salary bill. This may badly affect the ways and means position of both the Centre and State Government.

18. Heavy drawals on A.C. Bills and Non-Submission of D.C. Bills

As per codal provisions, contingent charges without sub-vouchers can be drawn on A.C. bills in prescribed form and a Detailed Contingent Bill along with sub-vouchers above Rs. 50/-, in settlement of the A.C. Bill, should be sent to the office of the Principal Accountant General. A register in prescribed form should be maintained by every DDO to keep watch over the drawal of such advances and submission of D.C. Bill to Principal Accountant General within the specified period. Treasury Officer at the time of authorization of such types of payment should see that the certificate for submission of D.C. Bills in respect of previous advance has been furnished on the body of the bill.

But in the course of test check of records, it was noticed that huge amounts were drawn by a large number of DDOs four to six years back for execution of projects. On scrutiny, it was further noticed that similar amounts were withdrawn on A.C. Bills in earlier years also and were lying unspent in deposits and Bank Accounts, leading to non-submission of D.C. Bills, although the said amount were booked under final Major Head of accounts as expenditure incurred during the same financial year in which the budget provision was made. Thus, the desired result for which the funds were allocated through the budget could not be achieved, besides giving wide scope for misuse and even defalcation of public money.

19. Improper Maintenance of Pension Payment Records, Incorrect Classification, Excess/Over, Irregular Payment

In the course of scrutiny of records, it was found that P.P.Os received in unbound sheet were not placed in guard files in chronological order. P.P.Os received in bound book form were also not preserved in serial order. The PPO was not found maintained in prescribed form. Important information such as date of furnishing life certificate, employment/reemployment, marriage/remarriage declarations, date of death, amount of commuted value of pension/gratuity, cases transferred to Bank/other district/State, enhanced rate of Family Pension admissible up to the period etc. were neither recorded in the P.P.O. register nor in the P.P.Os. Correct classification of pension payment up to the sub-head level (Civil Pension, Political Pension, Family Pension, Dearness Relief, Gratuity, Commuted Value of Pension) was not generally given on the bills, leading to inaccurate compilation of accounts. Owing to the above lapses, huge amount of irregular, unauthorized, doubtful and suspected fraudulent payments were authorized, which may be termed as serious irregularities. Excess payment due to non-deduction of commuted value of pension from basis pension and continued payment of Family Pension at enhanced rate and incorrect calculations were also noticed.

20. Non-maintenance of Transfer Register – Irregular and unauthorized transfer of money to Deposit Accounts

Scrutiny of the payment schedule with reference to the Deposit Accounts maintained in treasury showed that huge amounts were transferred and deposited into Deposit Account or Current/Saving Account on withdrawal from the Consolidated Fund of the State against the provisions made in the budget for incurring expenditure on specific purpose.

As per the codal provisions, no money shall be withdrawn from the Consolidated Fund of the State unless the same is required for immediate disbursement. The very intention of the said provision is that there should not be any delay in incurring expenditure for the purpose for which the provision was made and stop misuse of public money and reflect in accounts the actual expenditure incurred during the budget year.

21. Non-Submission of Consolidated Treasury Receipts

As per the codal provisions, Consolidated Treasury Receipts (C.T.R.) for Forest remittances, received and credited into the treasury during the month are required to be furnished by the Treasury Officer every month to the Divisional Forest Officer dealing with the Treasury.

During test check it was generally noticed that C.T.Rs were not being furnished to the D.F.Os by the T.Os which may result in discrepancies in the books/records of Forest Divisions vis-à-vis treasury records and the books of the Accountant General.

22. Irregularities in Maintenance of Deposit Registers

- i. As per Codal provisions, the Deputy Commissioner of the District should satisfy himself at least once in every quarter that Deposit Registers are maintained properly according to the prescribed rules and that all necessary entries are made and initialed without fail at the time of transactions. But no such verification had been found to be done in most of the treasuries.
- ii. Existing Codal provisions enjoin that the Treasury Officers should examine the propriety of crediting amounts to Deposit Head. But there was nothing on record to show that this had been followed in the treasuries.
- iii. In terms of Article 64 to 77 and 115 of Account Code Vol-II there are four classes of deposits namely (a) Revenue Deposits (b) Civil Court Deposits (c) Criminal Court Deposits and (d) Personal Deposits, whose receipts and payments accounts are required to be maintained in prescribed form TA-20, 21, 22, 23 & 24. At the end of each month, plus and minus memoranda in respect of each kind of deposits should be prepared in Form TA-46 and submitted to the Accountant General along with monthly treasury accounts.

During the course of inspection, it was generally found that:

- a) Government orders for operation of Deposit Accounts are not shown to the Inspection Party, which clearly indicates that neither sanction of the Government nor concurrence of the Accountant General have been taken in the operation of some of the deposit accounts.
- b) No plus and minus memoranda was found to have been prepared on a monthly basis in any of the Deposit Registers.
- c) In the register for Civil and Criminal Court Deposits, no detailed entries such as "Authority No. & Date, Challan No & Date, Name of Depositor etc." were made, as a result of which cases of overpayment and fraudulent payment cannot be ruled out.
- d) Register of Deposit Receipts & Repayment & Deposits are maintained in plain paper in place of forms prescribed for TA-20 & TA-21.

23. Lapsed Deposits

As per Codal provisions, deposits not exceeding five rupees unclaimed for one whole account year, balances not exceeding five rupees of deposits partly repaid during the year and all balances unclaimed for more than three complete accounting years shall, at the close of March each year, be credited to Government, and the list of deposits and balances thus lapses will be submitted to the Principal Accountant General immediately after 31st March.

However, in the course of scrutiny of records, it was observed that the above procedures were not followed in most of the treasuries, causing loss to government exchequer.

Further no clearance register, which is required to be maintained by the treasury as per the Codal provisions to ensure proper accounting of lapsed deposits, was found to have maintained.

24. Personal Deposit Accounts

- a) As per the Codal provisions, the balances of the credit of each local fund is required to be verified at the end of the financial year by the treasury officer and communicated to the Principal Accountant General and the authority administering the fund. But it was seen that no such verification was done by the treasury officer.
- b) As per Codal provisions, the treasury officer should send to the Chairman of the District Board after the close of each month's accounts a certificate regarding available balances at credit at the end of the month. But in practice, no such certificate was found to have been issued to the Chairman, District Board, by the Treasury Officer.
- c) As required under Article 68 of Account Code Vol-II, the receipt and payment in Personal Ledger Accounts should be maintained in proper form, viz. TA-22. But in practice, no such register in prescribed form was found to have been maintained in most of the treasuries.