

*For use in Indian Audit and Accounts Department only*

**MANUAL OF  
FINANCE & APPROPRIATION AUDIT  
AND  
HIGHER AUDIT  
(Second Edition, 2010)**

**Issued by  
The Principal Accountant General (Civil and Commercial Audit), Kerala,  
Thiruvananthapuram**

## **PREFACE**

This manual is prepared for the guidance of Finance and Appropriation Audit (FAA) Section in accordance with the provisions of MSO (Audit). The relevant provisions of MSO (A&E), and provisions of Manual of AAD Section of AG(A&E) also are referred to in this regard.

Higher Audit Section was merged with Finance and Appropriation Audit Section w.e.f 01.01.2010 (Office order no. Au/Admn.V/7-2/2009-10/30 dt. 7.1.2010). The second edition of the Manual of Higher Audit Wing, compiled after the formation of the Office of the Principal Accountant General (Civil & Commercial Audit) is appended as Part II of this Manual.

The instructions in this manual supplement to those contained in the various codes and manuals issued by the Government of India, the Government of Kerala and the Comptroller and Auditor General of India.

FAA Section of the office of the Principal Accountant General (C&CA), Kerala will be responsible for keeping this manual up to date and any errors or omissions detected in the manual may be brought to the notice of FAA Section.

**Sd/-**

**Thiruvananthapuram**  
**Dated 09 February 2011**

**V.KURIAN**  
**Principal Accountant General (C&CA)**

## Contents

| Chapter No. | CHAPTER   | Page No. |
|-------------|---|----------|
|             | <b>PART I</b>   |          |
|             | <b>FINANCE AND APPROPRIATION AUDIT</b>  |          |
| I           | Audit of Appropriation Accounts (State)   | 1        |
| II          | Contingency Fund of Kerala  | 28       |
| III         | Audit and Certification of Appropriation Accounts of Union Territory of Lakshadweep | 35       |
| IV          | Finance Accounts of the Government of Kerala  | 40       |
| V           | Accounts at a Glance  | 54       |
| VI          | Civil Accounts and Report on Monthly Expenditure                                    | 55       |
| VII         | Finance Accounts – Union Territory of Lakshadweep                                   | 58       |
| VIII        | Treasury Inspection   | 61       |
|             | Annexure  | 62       |
|             | <b>PART II</b>  |          |
|             | <b>HIGHER AUDIT</b>   |          |
| IX          | General   | 110      |
| X           | Higher Audit  | 113      |
| XI          | Scrutiny of Rules and Orders  | 117      |
| XII         | Scrutiny of Travelling and other Allowances   | 126      |
| XIII        | Scrutiny of Expenditure on supplies, services, contingencies, extra payments etc.   | 134      |
| XIV         | Audit of Receipts of Government   | 137      |
| XV          | Miscellaneous   | 139      |
|             | Forms   | 140      |
|             | Annexure  | 143      |

## **PART I**

### **CHAPTER – I**

#### **AUDIT OF APPROPRIATION ACCOUNTS (STATE)**

##### **1.01 General**

Article 266(3) of the Constitution of India provides that no money shall be withdrawn from the Consolidated Fund of a State except under an Appropriation Act passed by the State Legislature and assented to by the Governor, specifying in a schedule to the Appropriation Act:-

- (a) the grants made by the State Legislature ; and
- (b) the sums required to meet expenditure charged on the Consolidated Fund of a State.

(Article 204(3) read with Articles 205 & 206 of the Constitution)

The following are exceptions to the rule.

Article 206 gives the State Legislative Assembly, the power:

- (i) to make any grant in advance (vote on account) in respect of the estimated expenditure for any part of the financial year pending completion of the procedure prescribed in Articles 203 and 204.
- (ii) to make a grant for meeting an unexpected demand upon the resources of the State (vote of credit) ; and
- (iii) to make an exceptional grant which forms no part of the current service of any financial year.

When the unforeseen expenditure not covered by Appropriation Act has to be incurred, money can be drawn from the Contingency Fund of the State as provided for in Article 267 of the Constitution.

In accordance with the requirements of Article 149 of the Constitution of India read with Section 11 of CAG's (Duties, Powers and Conditions of Service) Act, 1971, the Comptroller and Auditor General of India (CAG) has to prepare for each State Government, Appropriation Accounts for each financial year compared with the account of voted grants and charged appropriations for the different purposes as specified in the schedules appended to the Appropriation Act passed by the Legislature.

## **1.02 Appropriation Accounts**

Appropriation Accounts means accounts which relate the expenditure brought to account during a financial year, to the several items specified in the law made in accordance with the provisions of the Constitution or of the Government of Union Territories Act, 1963, (20 of 1963) for the appropriation of moneys out of the Consolidated Fund of India or of a State, or of a Union Territory having a Legislative Assembly, as the case may be.

*(Vide Section 2 of CAG's DPC Act, 1971)*

## **1.03 Appropriation Audit**

Under Section 13(a) of the CAG's (D.P.C) Act, 1971 it shall be the duty of the CAG to audit all expenditure from the Consolidated Fund of each State and to ascertain whether the moneys shown in the accounts as having been disbursed were legally available for and applicable to the service or purpose to which they have been applied or charged and whether the expenditure conforms to the authority which governs it. Audit of expenditure against provision of funds, technically known as Appropriation Audit, comprises:-

- (a) audit of expenditure against grants and appropriations and
- (b) audit of expenditure against provisions under the various heads fixed as units of appropriation

**1.04** The audit of expenditure against grants and appropriations involves a responsibility to the Legislature and consists in seeing that the expenditure incurred falls within the scope and purpose of a Grant or Appropriation duly authenticated and that it is within the amount of that Grant or Appropriation. The audit of expenditure against provisions under the various heads fixed as units of appropriation involves a responsibility to the financial authority of Executive Government viz. the Finance Department and consists in seeing that the total expenditure on each of these units of appropriations does not exceed the allotment thereof as modified from time to time by the competent authority. This is carried out in two stages :-

- (a) audit of sanctions i.e. audit of orders of allotment of funds, Re-appropriations and Resumptions which are to be enforced in audit; and

- (b) the audit of expenditure against such allotments.

*Note: -When the schedule to the Appropriation Act contains figures separately for revenue and capital portion of each grant, the appropriation audit would be conducted with reference to these amounts separately.*

### **1.05 Audit of Sanctions**

(1) The first stage of Appropriation Audit is the audit of sanctions containing orders of allotment, Reappropriation and Resumption of funds. These sanctions should be scrutinized to ensure that:-

- (a) the orders are issued by a competent authority ;
- (b) the allotments made are not in excess of the amounts available under the Grant or Appropriation;
- (c) the amount appropriated is available under the unit from which it is allotted ;
- (d) amounts reappropriated are not intended for meeting expenditure on a 'New Service' (see Annexure to this chapter) or 'New Instrument of Service' (see Note (i) below).
- (e) no amount has been reappropriated from one Grant or Appropriation to another Grant or Appropriation.
- (f) no amount has been reappropriated from 'Charged' Section to 'Voted' Section and *vice – versa* ;
- (g) no amount has been reappropriated from Revenue to Capital and *vice versa* ; and
- (h) funds provided under 'Plan' heads have not been reappropriated to 'Non-plan' heads without the previous consent of the Finance Department.

***(Vide para 3.15.5 of MSO (Audit), Second Edition)***

*Note: -(i) New Instrument of Service: New Instrument of Service is the expansion of an existing service involving expenditure in excess of the limit fixed by the Government on the recommendations of the State Public Accounts Committee. Expenditure on New Instrument of Service can be incurred only with prior approval of Legislature or by obtaining funds from Contingency Fund of the State.*

*(ii) Instruction regarding scrutiny of sanctions given in paras 2.05 (i) to (xiii) and 2.06 of Manual of Appropriation Accounts (1<sup>st</sup> Edition, 2006) may also be referred to in this connection.*

(2) It has to be seen that the sanctions are in accordance with the general provisions relating to the Reappropriation/Resumption of funds mentioned in the Kerala Budget Manual. The general restrictions regulating Reappropriation are narrated in paragraphs 84 and 85 of the Kerala Budget Manual.

*Note: - A register of "Points for inspection emerging from central audit" will be maintained by audit and the points referred to Audit Parties in the usual manner.*

*(Vide para 4 of DO letter No.378-Rep(s)/59-84 dated 5-3-1984 from Headquarters)*

### **1.06 Audit of Expenditure**

The second stage of Appropriation Audit is the audit of expenditure against allotments. Audit against provision of funds should be directed primarily to ascertaining that the money expended has been applied to the services and purposes for which the Grants and Appropriations specified in the schedule to the Appropriation Act passed were intended to provide and that the amount of expenditure against each Grant or Appropriation does not exceed the amount included in that schedule.

A Grant or Appropriation is intended to cover all the charges including the liabilities of past years to be paid during the financial year or to be adjusted in the accounts of that year. It is operative until the close of that year. Any unspent balance lapses and is not available for utilization in the following year.

*(Refer paragraphs 2.2.1 to 2.2.10 in M.S.O (Audit), Second Edition)*

### **1.07 Brief description of preparation of Appropriation Accounts**

The work connected with the Appropriation Accounts is taken up in the A&E office by 3<sup>rd</sup> week of April each year. Consequent on the introduction of Voucher Level Computerisation (VLC) register from 2003-04, a Grant Statement in the form of Appropriation Accounts Register / Grant Register / Appropriation Check Register is generated for each Grant/ Appropriation, through computer system after ensuring that the heads of account shown in the budget document concerned for the year are opened, and that the heads of accounts conform to the prescribed heads as per the List of Major and Minor Heads of accounts. Postings are made in the Register, noting down the various units of appropriation and the provision against each in the relevant columns. The intermediate totals and final totals for the grant are struck and verified with budget documents and the

schedule to the Appropriation Act. All errors noticed during data entry stage are reported to the Finance Department immediately and the correct position got clarified. The totals of all grants/appropriations are also checked and verified with reference to the Appropriation Act. The voted and charged provisions as well as plan and non-plan provisions are entered separately against each unit of appropriation as in Budget documents. The recoveries which are adjusted in reduction of expenditure and which have not been included in the total amounts voted are entered separately. In the case of lump sum provision, the split up details are entered. Details of Supplementary Demand for Grants are also entered in the Register when the copies of the relevant Appropriation Acts and Supplementary Demand for Grants are received.

A statement showing the Original grant, Supplementary grant, net effect of Reappropriation orders, amount Resumed and the Final grant is prepared for each grant in respect of each unit of appropriation and after ensuring its correctness, the grant statement or the relevant extracts thereof is sent to the Chief Controlling Officer concerned with a covering letter for verification of figures and return within a fortnight with the certificate of acceptance of figures. Discrepancies in the statements, if any, pointed out by the departmental officers are attended to promptly so that the correct figures could be included in the Appropriation Accounts.

Details of suspense transactions, Deposit Accounts and Reserve Fund transactions, cases of 'new services', payment of subsidies etc. are also called for well in advance and obtained from the sections/Departmental Officers concerned for inclusion in the Appropriation Accounts after necessary checking.

Comments regarding surrender and re-appropriation of funds which are likely to be mentioned in the Appropriation Accounts are then drafted with reference to the details available and kept ready for inclusion in the draft Appropriation Accounts.

The next stage is the preparation of Skeleton Appropriation Accounts. The Original/ Supplementary grant/ appropriation and the net effect of Reappropriation/Resumption orders are noted below each head adopting the following abbreviations:



‘O’ - for Original grant/ appropriation

‘S’ - for Supplementary grant/appropriation

‘R’ - for net effect of Reappropriation/Resumption orders

Plus (+) sign need not be indicated when the net figure against ‘R’ is positive, but minus (-) sign should be used when it is negative. The final appropriation will be noted in Col.2. Actuals to the end of March (Supplementary) Accounts are entered in Col.3 with reference to Appropriation Audit Registers and the variation between the figures in Columns 2 & 3 should be worked out in Col.4, indicating (+) for excess over appropriation and (-) for saving in appropriation. Charged figures are underlined. The totals are worked out and agreed with the grant statements and booked figures. The Skeleton Appropriation Accounts or extracts thereof are communicated to the Chief Controlling Officers concerned for verification and acceptance of figures. The details of estimated recoveries and actuals adjusted in reduction of expenditure are also enclosed in a separate sheet.

The Detailed Appropriation Accounts will be prepared soon after despatch of Skeleton Appropriation Accounts. Although in the final Appropriation Accounts ‘Plan’ and ‘Non-Plan’ figures are not separately shown, in the Detailed Appropriation Accounts, Plan and Non-Plan figures are mentioned separately for the purpose of correlation with the figures in Statement No. 12 of the Finance Accounts and for future reference.

After finalization of Detailed Appropriation Accounts, the Appropriation Accounts in the revised form that is to be printed is compiled. Notes and comments are finalized based on the replies, if any, received from the Chief Controlling Officers.

**1.08** The form in which the consolidated statement (summary of Appropriation Accounts) of Appropriation Accounts of each Grant/ Appropriation is prepared and detailed instructions regarding Notes and Comments to be included in the Appropriation Accounts are given in Appendices I to III in MSO (A&E), Vol.II. Only important cases of savings/excess which are likely to be of interest to the Public Accounts Committee need be included in the Appropriation Accounts. If the variations are due to several factors, only the important of them need be

mentioned with the approximate amount attributed to each case. Comments on such cases where an excess is increased by a surrender which was not available or where a saving was converted into an excess due to an excess surrender can also be made in the notes below the Grants.

Criteria for selecting cases for comments in the Appropriation Accounts are as follows:-

**I. When there is overall saving in the Grant or Charged Appropriation**

(a) If the overall saving under a Grant or Appropriation does not exceed 2% of the total provision, no comments on the savings under individual sub-heads are required.

(b) When the overall saving exceeds 2% of the total provision, comments on variation against individual sub heads (saving as well as excess partly offsetting the overall saving) may be included subject to the following monetary limit:-

|       | <b>Total Provision</b>                              |   | <b>Limit for comments</b>                            |
|-------|---|---|--|
| (i)   | Does not exceed Rs.10 crore                         | - | Rs. 10 lakh or 10% of provision whichever is higher. |
| (ii)  | Exceeds Rs.10 crore but does not exceed Rs.50 crore | - | Rs. 15 lakh or 10% of provision whichever is higher  |
| (iii) | Exceeds Rs.50 crore                                 | - | Rs. 20 lakh or 10% of provision whichever is higher  |

**II. When there is overall excess in the Grant or Charged Appropriation**

(a) When there is overall excess under a Grant / Appropriation, it requires regularization by the Legislature. Comments are therefore necessary in the Appropriation Accounts to the extent the entire excess is covered. Therefore, comments on variation in individual sub heads may be included in such a way that the aggregate of excess partly offset by the savings commented upon is approximately equal to the overall excess.

(b) When the overall excess is substantial and there are a number of individual sub heads having excess under the grant or appropriation, comments on excess under individual sub heads may be included subject to the following limit:-

|       | <b>Total Provision</b>                               |   | <b>Limit for comments</b>                          |
|-------|--|---|--|
| (i)   | Does not exceed Rs 50 crore                          | - | Rs 5 lakh or 10% of provision whichever is higher. |
| (ii)  | Exceeds Rs 50 crore but does not exceed Rs 200 crore | - | Rs 10 lakh or 10% of provision whichever is higher |
| (iii) | Exceeds Rs 200 crore                                 | - | Rs 15 lakh or 10% of provision whichever is higher |

(c) Savings in individual sub heads partly offsetting the overall excess may also be commented upon subject to the limits prescribed in I above.

**III.** (a) Notwithstanding the ceiling of “10% of the provisions under the sub head”, all variations of Rs 100 lakh and above should invariably be commented upon.

(b) Notwithstanding the limits, Principal Accountant General (C&CA) may include comments on variations wherever he considers them important or interesting or worthy to be brought to the notice of the Legislature.

**IV.** For the above, Revenue voted, Revenue charged, Capital voted and Capital charged are to be treated as independent grants.

*(Vide paragraph 26 of the 68<sup>th</sup> Report of the Public Accounts Committee, 1998-2000)*

**1.09** The Appropriation Accounts in revised form pertaining to each grant (manuscript copy/computerized copy) approved by AG(A&E) with one copy of skeleton Appropriation Accounts will be transmitted by AAD Section of the A&E Office to Finance and Appropriation Audit (FAA) Section for preliminary check. The audit section will scrutinize it in detail and process audit observations, if any, on the accounts within 3 days of its receipt. All audit observations should be submitted to PAG (C&CA) for approval. Report (Civil) Section may also be consulted in all important cases where audit comments are likely to be included in the Report of Comptroller and Auditor General of India on State Finances. The audit observations, after their approval by PAG (C&CA) are communicated to A&E Office. After taking into account of the observations made by PAG (C&CA) the draft Appropriation Accounts will be modified to the extent necessary and finalized by A&E Office. The accounts so finalized will then be

transferred to Audit Office for further scrutiny and clearance. A recheck of the accounts will be done by FAA Section for ensuring that all the necessary modifications have been correctly carried out and that all the points raised in audit observations have been suitably dealt with. After completion of recheck, final clearance for printing will be given by PAG (C&CA).

*(Vide AAD letter No. AA1/53-7/84-85/245 dated 4.7.1984 and Office Order 41 of Report Section dated 19.03.1987)*

#### **1.10 Reconciliation of figures with those in the Finance Accounts**

For each grant, a statement should be prepared showing the major head and minor head-wise figures (**voted** and **charged** as well as **plan** and **non-plan** separately), as per the detailed Appropriation Accounts. The recoveries adjusted in reduction of expenditure should be deducted from the resultant total drawn. These figures should exactly tally with those in the Finance Accounts (Statements No.12 & 13). In respect of Loan Heads, the figures should be tallied with those in Statement No. 16. Discrepancies, if any, should be located and reconciled.

*Note:- In the case of P.W.D Grants, the figures should agree with those in the Finance Schedules compiled by IAU (Works) Section.*

#### **1.11 General Check of Appropriation Accounts**

Instructions issued from time to time by Headquarters office regarding important common errors/deficiencies/omissions etc. noticed during the course of check by that Office over the years and circulated to field offices from time to time have to be kept in view while finalizing and checking these accounts. The checks which are to be applied during the course of the general check of these accounts are listed below. In addition to the existing checks exercised by the PAG (C&CA), the Appropriation Accounts will be subjected to these checks on behalf of the Headquarters Office. The guidelines given in paragraphs 3.16.15 to 3.16.38 in MSO (Audit) will also be looked into. A.G (A&E)/PAG (C&CA) while furnishing the certificate prescribed vide Headquarters Office letter will specifically mention this fact in the certificates.

Some of the important checks to be exercised during the course of general review of Appropriation Accounts are outlined below:-

- (1) It should be ensured that figures of provision/ expenditure/ excess/ savings as given under 'Summary of Appropriation Accounts' tally with those given under individual Grant/Appropriation wise Accounts.
- (2) The heads of account should be correctly indicated. The full nomenclature of the heads of account should be given. The classification should follow the budget and no unauthorised head should be opened.
- (3) The amounts surrendered as shown in the 'Summarised Appropriation Accounts' should agree with that worked out in the 'Detailed Appropriation Accounts'.
- (4) It should be seen that the 'Plus/Minus' signs have been correctly given.
- (5) 'Month of surrender' should be indicated invariably in every case.
- (6) The heading for the column 'Total Grant', 'Total Appropriation' and 'Total Grant or Appropriation' should be indicated correctly. In respect of 'Charged Expenditure', the column heading should be 'Total Appropriation'. In respect of 'Voted Expenditure' the column heading should be 'Total Grant' and if both types of expenditure figures in the grant then the heading should be 'Total Grant or Appropriation'.
- (7) Explanation for savings/excess should be given in all cases. The comments about excess or savings incorporated in relevant grants should not be ambiguous and that the comments should be such as can be understood by a layman.
- (8) In cases where 'Anticipated Savings' were not surrendered in time, a factual comment about it should be attempted.
- (9) In cases where for covering any anticipated excess expenditure, a supplementary grant or appropriation or an advance from the Contingency Fund was taken, it should be correctly indicated.
- (10) Variation under 'Revenue expenditure', 'Capital expenditure', 'Loans' and 'Charged' and 'Voted' categories should be separately worked out/commented upon.
- (11) Errors in totalling / spelling mistakes should be scrupulously avoided.

(12) Trivial items of 'Savings/Excess' need not be included in the comments. In order to ensure that the thrust is not diffused, only major savings/excess need be included in the comments. Headquarters instructions and guidelines given by the Public Accounts Committee should be meticulously followed in this regard.

(13) Exhibition of expenditure in Appropriation Accounts should follow the provisions in the budget. Expenditure to be transferred to other heads as shown below the line in the budget should be carefully noted and an intelligent examination of these accounts should be undertaken to find out whether any mistake has apparently been made by the Accountant General's Office in carrying out the annual adjustments and/or in following the accounting mechanism as stipulated in the budget estimates.

(14) While examining these accounts, it may also be ensured that the provisions of the Contingency Fund Rules have not been violated.

(15) Re-appropriation orders relating to the previous years after closure of accounts should not be accepted and acted upon.

(16) If accounts of any Division, Sub-Division etc. could not be included due to unavoidable reasons, a suitable foot-note should be included. Such omissions should not normally occur.

(17) Comments on defective budgeting should be highlighted, if the provision is not made under the correct head of account.

(18) When huge provision of funds is made through Reappropriation, it should be examined to see whether they come under 'New Service'.

(19) It should be seen in the summary of Appropriation Accounts whether the details of the excess expenditure in all the Grants shown in brackets are depicted in actual rupees for the purpose of regularisation of excess expenditure.

*(Authority : HQrs Office letter No.395-AC/MIS/287/2003 dated 21/7/2004)*

(20) It should also be ensured that (i) in summary of Appropriation Accounts, (ii) in the reconciliation between Finance Accounts and Appropriation Accounts and (iii) in Grant-wise details, the amount depicted should be rounded to thousands.

*(Authority: HQrs Office letter No.286-AC/MIS/287 – 2003 KW dated 10/6/2004)*

(21) It should also be ensured that all the figures, independent of them being in thousands, lakhs or crores, should have commas in the following format 9999,99,99,99.

(22) The rounding off the figures in thousands would also be valid for Appendices relating to the “expenditure met from advances from Contingency Fund which were not recouped to the Fund before the close of the year” and “recoveries which have been adjusted in the Accounts in reduction of Expenditure” in the Appropriation Accounts. This point also should be checked and correctness ensured.

*(HQrs letter No.395-AC/MIS/287/2003 dated 21/7/2004)*

### **1.12 Transmission of draft Appropriation accounts and Detailed Appropriation Accounts**

After finalisation of accounts, A.G (A&E) will furnish two copies each of draft Appropriation Accounts and Detailed Appropriation Accounts to FAA Section of PAG (C&CA). One copy each of the draft Appropriation Accounts and Detailed Appropriation Accounts will be transmitted to Report (Civil) Section by F.A.A Section, after ensuring their completeness.

### **1.13 Material for the Report of the Comptroller and Auditor General of India on State Finances**

(i) Based on the draft Appropriation Accounts and reviews conducted, Finance and Appropriation Audit Section will feed material to Report (Civil) Section for inclusion in the Report of C&AG of India on State Finances. For this, PAG (C&CA) will make necessary arrangements for conducting a comprehensive review of the budgetary procedures and the expenditure control exercised in respect of one or two ♦ Grants every year, as prescribed in para 3.15.6 to 3.15.8 of MSO (Audit). Grants for such review may be selected by the PAG (C&CA), on the basis of persistent savings, disclosed in past Appropriation Accounts. It should be seen during such review whether the provisions made in the budget/supplementary demands were based on concrete or firm proposals for speedy implementation of the schemes. In the review, unnecessary and

---

♦ vide HQrs letter No. 639/Rep(S)/Co-ordn/ ChI. Revised/329-2009 dated 11.8.2010

injudicious re-appropriation of funds and surrender of funds, based on a study of the trends of actual expenditure and the reasons furnished by the departments for the abnormal variations in Appropriation Accounts should be probed in detail by scrutinizing the departmental files. Key areas requiring such detailed probe should be identified and selected by PAG(C&CA). Comments on such variations should be incorporated in the Report of C&AG of India on State Finances.

(ii) In the event of there being a large number of sub-heads, where the Chief Controlling Officers have not furnished reasons for variations, a comment may be proposed as follows and given to Report Section for inclusion in the Report:

“ For the Appropriation Accounts.....the explanations for variations were not received (period) in the case of .....heads (for variation of Rs.....lakh), out of ..... important heads despite reminders”.

(iii) Materials for comments in the report regarding cases involving ‘New Service’, on which the correct procedure was not followed by the department, should be furnished to Report Section.

(iv) If there are any important points worth-mentioning in the Report regarding the recoveries adjusted in reduction of expenditure, suitable comments should be proposed taking into account the remarks of the Government and sent to Report Section.

(v) A comment regarding the Administration of the Contingency Fund by the Executive should be proposed and sent to Report Section for inclusion in the Report (vide Chapter II of this Manual).

(vi) Report and FAA Section should work in co-ordination with each other so that all modifications necessary in the Report consequent on the modifications made in the Appropriation Accounts till it is finally printed, are carried out by Report Section.

(vii) HQrs have directed to improve the Report of C&AG of India on State Finances by including comments on (i) Drawal of funds in advance of



requirement (ii) Amounts sanctioned in relaxation of treasury control (iii) Failure to adjust AC bills (iv) Delay in remittance of unspent amounts (v) Non submission of D.C bills (vi) Personal Deposit Accounts balances (vii) Incorrect lapsing of funds, especially GOI funds (viii) Treasury control on nullifying budgetary provision in efficacy of LOC (ix) Temporary diversion of funds (x) Effect of creation of Funds like Hospital Funds etc. FAA Section has to forward to Report (Civil) Section, audit observations on the above topics for inclusion in the Report of C&AG of India on State Finances by collecting the details from OA (HQs) and IAU sections.

*(Authority: HQ letter No.1348/Report (S)/70-2002 dated 9/12/2002)*

(viii) FAA Section will coordinate the work in connection with preparation of the following paras for inclusion in the Report of C&AG of India on State Finances and furnish the draft paras before due dates by arranging local audit parties.

- (1) Payment of pensions
- (2) Audit of Nil payment vouchers
- (3) Audit of Civil Deposits
- (4) Functioning of treasuries

*[Circular No. 9 Audit/MOM/97 dated 29.08.1997, Letter No.768-Rep(S)/127-98 dated 10.08.99, Gl.Cir.No.1 of 1998(Letter No.54-Rep(S)/98 dated 28.01.99, Gl.Cir.No.10 of 99 (Letter No.928-Rep(S)/10-99 dated 24.09.99)]*

a. FAA Section is also responsible for collecting and processing the details on the following aspects for inclusion in the Report of C&AG of India on State Finances.

**1) Comment on Over-statement of Expenditure:** Following details are called for.

- (a) Details of amounts drawn during the financial year and deposited in SB/PD/TP accounts or kept as cash, Draft etc. so as to avoid lapse of fund.
- (b) Details of amounts drawn on AC bills during the year for which DC bills were not received.

**2) Comment on Under statement of Expenditure:**

Details of vouchers not received from the treasury during the year in which case the expenditure at the time of finalization of Appropriation Accounts are called for stands excluded from accounts.

3) Details of expenditure incurred without sanction have to be collected.

**4) *Para on 'flow of expenditure':***

For this expenditure (Capital and Revenue) for four quarters and also of March is required. These details are collected from Monthly Appropriation Accounts, Monthly Civil Accounts, Detailed Appropriation Accounts etc.

5) Materials for a para on 'Failure to furnish explanation for savings/excess' have to be prepared.

**6) *Para on 'inadequate control over expenditure'***

Details are collected by including instances of inadequate control over expenditure leading to excess over grant that have noticed during the audit of accounts. Relevant supporting documents along with the departmental explanations have also to be furnished to Report (Civil).

For the above work the services of VLC Cell (Audit) have also to be utilized.

#### **1.14 Clearance for printing**

A formal and specific clearance for final printing should be given by the PAG(C&CA) who issues the audit certificate to the A.G (A&E) who is responsible for the printing of the Appropriation Accounts.

Note: As per HQrs instructions certificates affirming correctness of accounts and compliance with instructions issued by the Accounts Wing at HQrs regarding compilation of figures and preparation of Finance and Appropriation Accounts is to be obtained from AG(A&E).

*(C&AG's Letter No.94-Rep(s)-87/2009 dated 23.6.2010).*

### **1.15 Time Schedule**

(a) The time schedule for the preparation and transmission of the Appropriation Accounts and Finance Accounts by the A.G (A&E) and the completion of their checks by the respective PAG (C&CA) is prescribed by the Headquarters from time to time.

Observations/comments of the PAG (C&CA) will be attended to and settled by the A.G (A&E) concerned within the time limit prescribed. A.G (A&E) will furnish 5 printed (bound) copies of the Appropriation Accounts to the C&AG for signature so as to make the accounts available for presentation to the legislature during the budget session. Finance and Appropriation Audit Section should ensure that the time frame is not upset owing to delay in checking the accounts.

(b) The PAG(C&CA) shall also furnish the following information after the close of a financial year to enable Headquarters Office to keep a watch over the progress in the preparation, finalisation and printing.

(1) Date of receipt of accounts from A.G (A&E).

(2) Date of completion of check.

(3) Date of return of accounts duly checked with the clearance for printing.

### **1.16 Audit Certificate**

On receipt of the printed copy of the Appropriation Accounts from the A.G (A&E), an Audit Certificate in the prescribed form duly signed by the PAG(C&CA) will be issued to the A.G (A&E) for transmission to the C&AG along with the printed copies of the Appropriation Accounts.

*[Para 3.16.11 of MSO (Audit)].*

Revised format of Audit Certificate was prescribed by the C&AG in letter No. 412-Audit (AP)/34-2008-II dated 9.10.2009 and is effective from 2008-09 ( see Annexure).

## **Annexure**

*(Referred to in Para 1.16)*

### **Combined Certificate of the C&AG on Appropriation Accounts**

#### **Certificate of the Comptroller and Auditor General of India**

This compilation containing the Appropriation Accounts of the Government of ..... for the year ending .....presents the accounts of the sums expended in the year compared with the sums specified in the schedules appended to the Appropriation Acts passed under Articles 204 and 205 of the Constitution of India. The Finance Accounts of the Government for the year showing the receipts and disbursements of the Government for the year together with the financial results disclosed by the revenue and capital accounts, the accounts of the public debt and the liabilities and assets as worked out from the balances recorded in the accounts are presented in a separate compilation.

The Appropriation Accounts have been prepared under my supervision in accordance with the requirements of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, and have been compiled from the vouchers, challans and initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for the keeping of such accounts functioning under the control of the Government of ..... and the statements received from the Reserve Bank of India. Statements (.....), explanatory notes (.....) and appendices in this compilation have been prepared directly from the information received from the Government of ...../Corporations/Companies/Societies who are responsible to ensure the correctness of such information<sup>1</sup>.

The treasuries, offices and or departments functioning under the control of the Government of ..... are primarily responsible for preparation and correctness of the initial and subsidiary accounts as well as ensuring the regularity of transaction in accordance with the applicable laws, standards, rules and regulations relating to such accounts and transactions. I am responsible for compilation, keeping of the accounts, preparation and submission of Annual Accounts to the State Legislature. My responsibility for the compilation, preparation and finalization of accounts is discharged through the office of the

Accountant General (A&E). The audit of these accounts is independently conducted through the office of the Principal/Accountant General (Audit) in accordance with the requirements of Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, for expressing an opinion on these Accounts based on the results of such audit. These offices are independent organizations with distinct cadres, separated reporting lines and management structure.

The audit was conducted in accordance with the Auditing Standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance that the accounts are free from material misstatement. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements.

On the basis of the information and explanations that my officers required and have obtained and according to the best of my information as a result of test audit of the accounts and on consideration of explanations given, I certify that, to the best of my knowledge and belief, the Appropriation Accounts read with observations in this compilation give a true and fair view of the accounts of the sums expended in the year ended ..... compared with the sums specified in the schedules appended to the Appropriation Acts passed by the State Legislature under Articles 204 and 205 of the Constitution of India.

Points of interest arising from study of these accounts as well as test audit conducted during the year or earlier years are contained in my Reports on the Government of ..... being presented separately for the year ended .....

**(Name)**

**Comptroller and Auditor General of India**

**Date:**

**Place:**

---

<sup>1</sup> Depending upon the applicability to a particular AG(A&E) Office, this may be appropriately modified.

## ANNEXURE

### NEW SERVICE

1. New Service means a service, the expenditure on which is not contemplated in the budget (Annual Financial Statement) for the year and for which a supplementary statement of expenditure should be presented before the Legislature under Article 205 of the Constitution of India. Until a supplementary grant is obtained, expenditure on a new service, if at all incurred, should be met out of an advance from the Contingency Fund.

2. The following criteria be adopted in treating any item of expenditure as 'New Service' with effect from 15<sup>th</sup> September, 1999. (*G.O (P) No. 1803/99/Fin dated 15<sup>th</sup> September, 1999.*)

|    | <i>Item of expenditure</i>  | <i>Monetary Limit</i>   |
|----|---|---|
| 1. | Employment of additional staff when it arises out of the adoption of a new policy by the Government, i.e., the sanction or increase of the cadres of services or number of posts of particular kind (either permanently or as a purely temporary measure). E.g. Sanction of an additional Revenue Inspector or an Accountant in each of the Taluk Offices consequent on the introduction of the new scheme of Governmental activity like the Community Development Project. | When the cost exceeds Rs.5 lakh per annum recurring or Rs.10 lakh non recurring, taking the scheme as a whole. (The entire cost of establishment, buildings, equipment, other amenities etc., will be taken into account for the purpose of this limit)   |
| 2. | Employment of additional staff for the expansion of an existing service, i.e., expenditure on a new instrument of service, like the opening of a new school or the starting of a new scheme in the Industries Department, Animal Husbandry Department etc., though similar schemes are already under operation.   |   |
| 3. | Employment of additional staff for re-organisation of an existing administrative unit, such as the bifurcation of a Revenue or a Police District or the creation of a new administrative unit etc. E.g. a new P.W. Circle.  |   |
| 4. | Works   | When the cost of a new work exceeds Rs 20 lakh. In regard to the expenditure on works relating to new schemes which involve expenditure on staff, equipment, etc., the cost of the scheme as a whole would be taken into account for this limit. The limit is applicable to works which do not involve a new policy or any major alteration in the existing policy. In cases involving a new policy or any major alteration in the existing policy, New Service procedure shall be followed irrespective of its monetary limit. |

|     |  |   |
|-----|--|---|
| 5.  | Plant and Machinery, tools and equipment   | <p>(i) Individual purchase need not be treated as a 'New Service' irrespective of cost as long as there is specific provision in the Budget.</p> <p>(ii) Where specific provision is not included in the Budget, when the cost exceeds Rs.5 lakh.</p> <p><i>Note:-</i> This classification includes Motor vehicles.</p>   |
| 6.  | Grants-in-aid and contributions  | <p>(i) When the amount involved exceeds Rs. 5 lakh recurring and Rs.10 lakh non-recurring in the case of Statutory Bodies, Government Companies, Local Bodies, Government Controlled Autonomous Bodies and Co-operative Institutions with a paid-up capital of Rs.25 lakh and above.</p> <p>(ii) In other cases Rs.2 lakh recurring and Rs.4 lakh non-recurring.</p>  |
| 7.  | Establishments and Committees for new objects and purposes   | When the expenditure is estimated to exceed Rs.2 lakh recurring or Rs.4 lakh non recurring.   |
| 8.  | Expenditure to be met from lump sum provision made in the Budget for Irrigation and other works/schemes. | <p>Irrigation and other works/schemes costing more than Rs.20 lakh if the schemes are to be financed from the lump sum / token provision made in the Budget. The entire expenses for the work as a whole shall be taken into account for the limit.</p> <p><i>Note:</i> - The details of works undertaken under this item including the amount spent during the current year have to be furnished to the Legislature for their information at the time of presenting the Supplementary Demands for Grants.</p>  |
| 9.  | Revision of Scales of pay  | <p>When the revision of a scale or scales of pay involves an extra cost of over Rs.25 lakh per annum.</p> <p><i>Note:-</i> 1. The revision includes 'Pension'.<br/>2. Expenditure on account of periodical revision of D.A need not be treated as 'New Service'.</p>  |
| 10. | Loans to Government Companies, Statutory Bodies, Local Funds etc.  | <p>(i) When specific provision is not included in the Budget and when the loan exceeds Rs.10 lakh.</p> <p>(ii) When there is specific provision in the Budget and when the expenditure exceeds the Budget provision by Rs.25 lakh or 10 <i>per cent</i> of budget provision, whichever is higher.</p> <p><i>Note:-</i> 1. Loans to Co-operative Institutions and Government Controlled Autonomous Bodies will also be governed by the above criteria.</p> <p>2. Loans to Government Companies, Statutory Bodies and Government Undertakings for meeting additional expenditure resulting from cost escalation without any increase in the physical component and exceeding the budget provision by the limit prescribed in item (ii) above, need not be treated as 'New Service' but details of such cases should be given in the</p> |

|    |   |  |
|----|---|--|
|    |   | <p>Budget Memorandum of the following year.</p> <p>3. All loans given for the first time will constitute 'New Service'.</p>  |
| 11 | Investment in Statutory Boards, Government Companies, Departmental Undertakings and Co-operative Institutions | <p>(i) Setting up of a new Government Company or amalgamation of two or more Government Companies will constitute 'New Service'.</p> <p>(ii) Additional investment in an existing departmental undertaking of Rs.25 lakh and above where there is no budget provision.</p> <p>(iii) (a) additional investments of Rs.20 lakh and above in an existing Government Company/Statutory Board with a paid up capital of Rs.1 crore and below; and<br/>(b) Rs. 50 lakh and above in the case of Companies/Statutory Boards with a paid up capital of more than Rs.1 Crore, where there is no budget provision.</p> <p>(iv) Additional investment of Rs.5 lakh and above in an existing Co-operative Institution with a paid up Capital of Rs.25 lakh and below and Rs.10 lakh and above in the case of Co-operative Institutions with a paid up Capital of more than Rs.25 lakh</p> <p>(v) All investments for the first time will constitute 'New Service'.</p> |
| 12 | Loans and Investments in Private Sector/Companies and Private Institutions by Government                      | <p>Loans and Investments in share capital of Private Sector (Joint Sector Companies/Private Institutions) whatever the magnitude will constitute a 'New Service'.</p> <p><i>Note:-</i> For this purpose, Joint Sector will be treated as Private Sector.</p>   |
| 13 | Ways and Means Advances   | <p>Need not be treated as 'New Service' but they must be brought to the notice of the Legislature in the next session, by inclusion in the Annexure to the Supplementary Estimates.</p> <p><i>Note:-</i> The provision is not applicable to Ways and Means Advances paid to Statutory Boards, Government/Private Companies, Autonomous Bodies and Co-operative Institutions. Such advances will be treated as loans and limits prescribed for loan will be applied.</p>  |
| 14 | Subsidies   | <p>Additional subsidy caused by increase in the rate of subsidy, extension of schemes to more areas etc., should be treated as 'New Instrument of Service' requiring the approval of the Legislature if it exceeds Rs.25 lakh or 20% of the Specific Budget provision for the item whichever is higher (Distinction between Public beneficiaries and institutions shall be dispensed with).</p> <p><i>Note:-</i> (1) Subsidy should be shown distinctly in the Demand concerned. Details regarding the</p>   |



|    |   |   |
|----|---|---|
|    |   | <p>expenditure on subsidy, commodities involved and the reasons therefor should be mentioned in the Budget Memorandum.</p> <p>(2) Increase in subsidy resulting from the change in administered prices, without any change in the scheme of subsidy or scope of subsidy, need not be treated as 'New Service'.</p>  |
| 15 | Lands   | Cost of acquisition exceeding Rs.20 lakh (Non-recurring)  |
| 16 | Change in Classification of expenditure   | <p>Expenditure on an existing service debited to one head but provision for which is made under a different head within the same section (Revenue, Capital or Loan) of the same Grant or of a different Grant due to change in classification of expenditure, need not be considered as expenditure on 'New Service'.</p> <p><i>Explanation:-</i> Where provision for an existing service has been made either in the Revenue, Capital or Loan Section and it is proposed to change the character of service by transferring it from the existing section to any other section it will constitute a 'New Service/New Instrument of Service' if the limits prescribed for such expenditure are exceeded.</p>                             |
| 17 | Write-off of loans  | For write off of loans, appropriations (as grant in Revenue Account) are necessary. In such cases, 'New Service' limit will be Rs.2 lakh.   |
| 18 | Grants to Private Bodies for repayment of loans from Government                           | When the amount of grant is Rs.2 lakh or more   |
| 19 | Loans and Advances carrying interest (Other than those coming under item 10 and 12 above) | When the amount of loan or advance exceeds Rs.2 lakh.   |
| 20 | Interest free loans given to Scheduled Castes/Scheduled Tribes                            | When the amount of loan exceeds Rs.5 lakh.  |
| 21 | Experiments, Investigations and Demonstrations  | <p>When the expenditure is estimated to exceed Rs.1 lakh recurring or Rs.2 lakh non-recurring.</p> <p><i>Note –</i> All expenditure of the character incurred in each financial year without fruitful result should be reported to the Accountant General by the Finance Department by 30<sup>th</sup> June of the succeeding year for incorporation in the Appropriation Accounts with suitable explanation for report to the Public Accounts Committee in due course. For this purpose, each department of the Secretariat should send a consolidated statement of such expenditure to the Finance Department every year by 31<sup>st</sup> May. "Nil" return also should be sent to the Finance Department, wherever applicable.</p> |

### 3. GENERAL

(i) A scheme treated as 'New Service' in the immediate previous financial year and acted upon in that year, for which no provision has been made in the current financial year, need not be treated as 'New Service'.

(ii) *Cases already approved by the Legislature but subsequently the expenditure is expected to exceed appreciably:*

Cases already approved by the Legislature by providing funds in the Demands for Grants under the appropriate head of account, but where the expenditure is subsequently expected to exceed appreciably the amount originally intimated to the Legislature, only on account of cost increases need not be treated as 'New Service'. But information regarding large variation should be given in Appendix of the Budget Memorandum of the subsequent years. Full information should be furnished to the Finance Department by the Departments of Secretariat in time for incorporation in the Budget Memorandum.

(iii) When an asset of the Government has been damaged or destroyed by floods, cyclones, fire or unforeseen causes, the replacement of or repairs to such an asset need not be treated as a 'New Service' irrespective of the cost involved provided that the Service which the asset gives is not changed and that the asset, in the public interest, is required to be replaced immediately.

(iv) Additional expenditure due to the continued employment after the expiry of the period originally fixed of a special staff appointed for specified piece of work and for which the Legislature has voted funds for specified period, need not be treated as 'New Service', if the staff did not finish the work by the date originally fixed.

(v) Diversion of a scholarship for the student of one technical subject at one institution, for the study of the same or another subject in another Institution, need not be treated as a 'New Service'.

(vi) Employment of additional staff arising out of temporary need (e.g. Inquiry Commission etc.) and not likely to extend beyond a single financial year need not be treated as 'New Service'. However for expenditure such as Office Expenses, Motor Vehicles etc., the monetary limits prescribed for plant and machinery, tools and equipment will apply.

(vii) Schemes receiving financial assistance from Government of India or other autonomous bodies/Institutions, etc., need not be treated as 'New Service' if :-

(a) the approval of Government of India is communicated before the last month of the financial year ; and

(b) there is no commitment to the State exchequer or the Commitment to the State Exchequer is below the 'New Service' limits applicable in each case. Such cases shall, however, be specifically brought to the notice of the Legislature by means of their inclusion in an Appendix in the Budget Memorandum of the succeeding financial year.

**Note** – All such schemes introduced for the first time in the State will be treated as 'New Service' and would require prior approval of the State Legislature before expenditure can be incurred from the Consolidated Fund.

(viii) Schemes coming under Non-Plan/State Plan for which token provisions have been made need not be treated as a 'New Service', when the sanction actually issues, but should be brought to the notice of the Legislature by specific inclusion in the supplementary estimates.

### **Definitions**

*Subsidy* – Amounts paid by Government to any Undertakings or Institutions to cover the losses or to bridge gap between receipts and expenditure arising from any activity of a concessional nature will be treated as 'SUBSIDY'.

*Grant-in-aid* – Amounts paid by Government to an institution to cover recurrent and/or non-recurrent costs of the Institutions or for any other specific purpose and which are subject to scrutiny and /or audit of actual utilization shall be termed as 'GRANT-IN-AID'.

*Contribution* – Amounts paid to Institutions without any conditions regarding actual utilization shall be termed as 'CONTRIBUTION'.

4. Financing of new service items is governed by provisions under Para 94(2) of Kerala Budget Manual.

5. The expenditure on 'New Service' not contemplated in the budget should be covered during the currency of the financial year either by a specific vote of the Assembly or met from an advance from the Contingency Fund. Expenditure on an item of service, adjudged to be a new service cannot be regularised after the close of the year even by a resolution of

Assembly under the existing provisions of the Constitution. In order to avoid the occurrence of such a situation, action may be taken as mentioned below:

Cases relating to State Government should be taken up demi-officially with the Secretary to Government and the Finance Secretary bringing to their notice that, if the expenditure is not covered by proper provision of funds, it will not be susceptible of being regularized after the close of the financial year, under the provisions of the Constitution and therefore, requesting them to obtain necessary funds either by a Supplementary Grant or an advance from the Contingency Fund.

**6.** (i) How the actual case of 'New Service' which has caused an excess over the grant can be regularized after the close of the year?

There was an excess expenditure of Rs.4.03 crore over the voted grant under a particular major head which included Rs.2.65 crore advances by the State Government to the State Co-operative Marketing Society during that year which was adjudged as a new service by the State Public Accounts Committee. In this case, excess over the grant was caused by expenditure on a new service as well as by excess expenditure over approved service. The point at issue was whether there is any legal or constitutional objection to get the excess expenditure over the approved service alone (i.e, the total excess over the grant minus the expenditure on a new service) regularized under Article 205 or 206 of the Constitution.

(ii) Certain cases have been noticed where the State Public Accounts Committee had recommended cases of new service to be got regularised by obtaining a token vote of the Legislature. The following clarifactory instructions were issued by the C & AG.

In the first case, the Ministry of Law advised that only that part of the excess over the approved services might be got regularized under Article 115/205 of the Constitution without attempting to regularize the rest by putting a strained construction on Article 206 *ibid*.

In the second case, PAG may not advise the Public Accounts Committee for regularization of such cases by a token vote. The reaction of the Central Public Accounts Committee is awaited in these cases.

**7.** A note on 'New Service' which contained some of the important

decisions on the subject taken by the Public Accounts Committee at the Centre and in the States, and circulated to all the Accountants General for information and communication to the Public Accounts Committee of the respective States with C & A.G's letter 998-Rep/225-63 dated 21-05-1964 is given below:

(i) As soon as the PAG considers either while auditing expenditure sanction, Reappropriation order or conducting audit / appropriation audit of the expenditure, that in his view, certain expenditure was on a new service / new instrument of service, he should immediately take up the matter with the Finance Department of the State Government after examining the cases with reference to the stand taken by the Public Accounts Committee and / or instructions issued by the State Finance Department.

(ii) If a comment is included in the Appropriation Accounts Report, the Accountant General should send to the C & AG a brief note explaining the following:-

- a) the nature of the programme on which the expenditure was incurred;
- b) whether the expenditure on that programme was voted or incurred in recent years and , if so, in which year;
- c) whether expenditure on a similar programme was voted or incurred in recent years and, if so, in which years (while it is hardly possible to define 'similar', too narrow an interpretation may not be put on that expression);
- d) whether the State Public Accounts Committee has recommended a monetary limit for expenditure on that programme for the purpose of being reckoned as a new service / new instrument of service and Government has accepted the recommendations and, if so, what that decision is;
- e) views of the Finance Department on the question of treating the expenditure as a new service / new instrument of service.

## **CHAPTER – II**

### **CONTINGENCY FUND OF KERALA**

#### **2.01 Introductory**

A Contingency Fund has been created under Article 267(2) of the Constitution of India, and is in the nature of an imprest placed at the disposal of the Governor, to enable him to make advances for meeting unforeseen but unavoidable expenditure, pending authorization by the Legislature. It may, sometimes become necessary in the course of the year to incur expenditure over and above the amount already authorized by the Legislature for a particular service or on a 'New Service' not contemplated in the Annual Budget, even before obtaining the approval of the Legislature for exceeding Budget Grant/incurred 'new' expenditure. The Contingency Fund is meant to be drawn upon in such a contingency, it being illegal to incur expenditure from the Consolidated Fund in such circumstances. The Fund is governed by the Kerala Contingency Fund Act, 1957 (Act 6 of 1957); the Amendment Acts, the Kerala Contingency Fund Rules, 1957 and the Amendment Rules available as appendices in Kerala Budget Manual. The scrutiny of these rules is done by the A.G (A&E).

The corpus of the Contingency Fund is Rs 15 crore with effect from 12-8-1983; Rs 25 crore with effect from 11-5-1994 and Rs 100 crore from 26-10-2004.

#### **2.02 Procedure when there is no balance in Contingency Fund**

When Contingency Fund has been exhausted and when it is not possible to summon the Legislature to obtain a supplementary grant or appropriation, money can be made available to Government for meeting unforeseen expenditure by the issue, by the Governor of the State, of an Ordinance under Article 213 of the Constitution for the purpose of increasing the corpus of the Contingency Fund. Such enhancement by an ordinance shall cease to operate on expiry of six weeks from the reassembly of the Legislature immediately after the issue of Ordinance or before expiry of that period if a resolution disapproving it is passed by the Legislative Assembly.

### **2.03 Accretion to the Fund**

The accretion to the fund may be by debit to-

- (i) The Consolidated Fund; or
- (ii) The Public Account

In the case of (i), the transfer debit is adjusted under '7999 - Appropriations to the Contingency Fund' and in the case of (ii), the amount may be debited direct without passing through the Consolidated Fund.

*(Para 6.03 of Manual of Appropriation Accounts Section, First Edition, 2006)*

### **2.04 Enhancement of the corpus of the Fund and its exhibition in the Appropriation Accounts**

In the case of appropriation of sums from the Consolidated Fund for raising the corpus of the Contingency Fund, no separate Appropriation Act for withdrawal of money from Consolidated Fund is necessary.

#### **Exhibition in the Appropriation Accounts:-**

- (i) In Audit it has to be seen that necessary references to the withdrawals from the Consolidated Fund for this purpose are made in the introductory portion of the Appropriation Accounts.

*(Vide format relating to introductory to Appropriation Accounts)*

- (ii) Amount transferred to Contingency Fund may be shown as 'Appropriation to the Contingency Fund' and included in the total of Voted amount in the 'Summary of Appropriation Accounts'. In the Report of C&AG of India on State Finances, the amounts of transfers should be included under "total grant/appropriation" for the year of accounts in the table below the paragraph "summary" and suitably explained by a footnote.

### **2.05 Sanction of advances from the Fund and audit scrutiny**

- (1) Orders sanctioning advances from the Contingency Fund are issued by the Finance Department; copy of the order is sent to A.G (A&E) and PAG (C&CA). Orders when received in Accountant General (A&E) Office, after scrutiny, are noted in the Register of advances from Contingency Fund; verification of availability of sufficient balance under the Contingency Fund, reconciliation of figures etc. is conducted in A.G (A&E) Office. It should be scrutinized by Audit to see that the advances are made to meet unforeseen expenditure only and not to

cover normal excesses under sub-heads of grants. Whether an expenditure is inescapable or not, would be a matter of judgement of Government and the discretion of Government in this regard need not be fettered. It is therefore, not necessary to apply the condition of 'inescapability', which is not envisaged in Article 267 of the Constitution, in auditing these sanctions.

*(CAG's letter No.135-Ac/18-63 dated 28.1.1963- Case AAI/53(26-62-63))*

(2) Advances from the Contingency Fund for meeting expenditure on 'new service' should be for the full amount required.

(3) In order to ensure that advances from the Contingency Fund are not sanctioned without proper appreciation on the savings available within the grant, instances of unnecessary advances from the Contingency Fund may be commented upon in the Audit Report.

(4) An advance from the Contingency Fund sanctioned by the Finance Department should not exceed the balance in the Fund. If it does, the sanction should be treated as invalid. Such irregularities should be commented upon in the Audit Report as defective control over the Contingency Fund.

(5) The order authorizing an advance from Contingency Fund shall not lapse with the close of the year, but shall lapse as soon as-

- (a) the Appropriation bill incorporating the grant in this respect passed by the Legislature receives the assent of the Governor or
- (b) it is cancelled or amended.

*(CAG's lr.358-AC/335-58 dt. 9.3.1959-Case AA/53(26)/57-59 ;  
CAG's lr.121-AC/119-75 dt.29.8.75 – Case AA-V/53-6(Genl))*

## **2.06 Cancellation of sanctions to advances**

If in any case, after the issue of the order sanctioning an advance from the Contingency Fund, it is found that the advance will remain wholly or partly unutilized, the Finance Department will issue order normally before the close of the financial year, cancelling or partly modifying the original sanction. These orders are also noted in the relevant register in A.G (A&E) Office.

*Note: No audit objection, however, be raised if such orders are issued after the 31<sup>st</sup> March. For the purpose of accounts of the previous financial years, such order will be of little significance as neither any additional funds can be provided to cover the expenditure already incurred in excess of budget provisions, nor the sanctioned advance can be reduced below the amount already spent out of the*



*advance in the previous financial year. Hence, any modifications or amendments made to sanctions after the close of the previous financial year may be ignored for the purpose of the account of the previous financial year.*

*(CAG's letter No.144-AC/71-65 dated 20.5.1967)*

## **2.07 Recoupment of Advances**

(i) The rules framed by the Government require that supplementary grant shall be obtained in the next session of the Legislature in respect of the sanctions accorded. As soon as the relevant appropriation bill receives the assent of the Governor, the advances stand recouped. No further expenditure can be booked under 'Contingency Fund' against these advances as it has to be booked directly under Consolidated Fund against the head where provisions have been made in the Supplementary grant. The rules also require that the Finance Department shall issue an order resuming the advances as soon as the Appropriation Act has been published. If the Appropriation Act is passed on or before 31<sup>st</sup> March, resumption has to be effected in that financial year itself.

(ii) Resumption of advances taken during Vote on Account period

All advances sanctioned from Contingency Fund to meet expenditure in excess of the provision for the service included in an Appropriation (Vote on Account) Act shall be resumed to the Contingency Fund as soon as the Appropriation Act in respect of the expenditure on the service for the whole year including the excess met from the advances from the Contingency Fund has been passed.

### **Note:- (1) Booking of expenditure in excess of advances**

*There can be no objection to the incurring of an expenditure of an unforeseen nature in excess of an advance from the Contingency Fund, but the related expenditure cannot be booked under Contingency Fund until necessary formal sanction for the grant of an advance from the Contingency Fund is issued. The procedure in such case is that so much of the expenditure which is in excess of the sanction for the grant of an advance should be debited initially to the Consolidated Fund and transferred to Contingency Fund only on receipt, during the course of the year, of a valid sanction for grant of an advance from the Contingency Fund as stated above. If any irregularity is detected in this respect, it should be suitably commented upon in the Appropriation Accounts.*

**(2) Meeting the expenditure from Contingency Fund in anticipation of sanction of advance** Unless the power for grant of an advance under Article 267(2) is exercised and sanction is actually issued, money will not be legally available and accordingly incurring of any expenditure out of the Contingency

*Fund in anticipation of such a sanction will be ultra vires of the Constitution. No expenditure shall be authorized out of the Contingency Fund even provisionally in anticipation of sanction of an advance therefrom even if Government requests for this with an assurance that the advance will be sanctioned shortly.*  
(Vide notes 1 & 2 under Para 6.10 of Manual of Appropriation Accounts Section– 1<sup>st</sup> Edition)

## **2.08 Audit of expenditure against the advances**

It should be seen in audit that:-

(i) Bills in support of the expenditure relating to the advance drawn from the Contingency Fund contain *inter alia* reference to the Government Order of Finance Department sanctioning the advance and the classification “8000-Contingency Fund” distinctly noted in red ink at the top. It should be seen that the detailed classification for the expenditure as if it were to be booked in the Consolidated Fund is given below that.

(ii) Important cases of discrepancies and non-utilization/short utilization of advances are commented in Chapter II of the Audit Report. For this purpose materials are to be furnished by the A.A.D Section of the Accountant General (A&E) to Report Section as soon as the accounts are finalized. The para may contain factual position regarding the number and total amount of advances sanctioned / cancelled / modified / resumed, balance amount of advances pending recoupment at the end of the year, total expenditure incurred out of the advances etc. Important irregularities noticed in the administration of the Contingency Fund should also be mentioned.

## **2.09 Exhibition of transactions of the Contingency Fund in the Appropriation Accounts and Finance Accounts**

Any expenditure met from the Contingency Fund will be exhibited in the Appropriation Accounts and Finance Accounts only when such expenditure is not recouped to the Contingency Fund before the end of the financial year. In view of the fact that Government accounts are kept on cash basis and pertain to the financial year, the expenditure financed from the Contingency Fund but not recouped during the same financial year, will have to be treated as the expenditure of the year in which it is actually incurred and not of the year in which it is eventually recouped. The position will be reflected in the Finance and Appropriation Accounts accordingly.

In the Appropriation Accounts, the total expenditure incurred from the Contingency Fund but not recouped to the Fund before the close of the year should be indicated major head-wise in the Summary of Appropriation Accounts. The expenditure under each grant incurred from the Fund but not recouped to the Fund before the close of the year should like-wise be indicated in the form of a note below the respective Appropriation Accounts. Such unrecouped expenditure from the Contingency Fund will not constitute an excess over the voted expenditure and as such no formal objection can be taken against it as the position is covered by the provisions of the Constitution. This, however, will not preclude audit comments on any avoidable delay in recouping the expenditure met out of the Contingency Fund by obtaining a Supplementary Demand for grants. Further, audit comments will also be legitimate in respect of expenditure met out of the Contingency Fund, which is not in accordance with the rules of the Fund, both in cases where the expenditure has been recouped during the year and in cases where it has not been so recouped. In the Finance Accounts, at all places where the figures are subject to the transactions under the Contingency Fund, the following foot-note should be added as the case may be:

‘Includes/Represents Rs.....spent from out of an advance(s) from the Contingency Fund obtained during.....(previous year) and recouped to the fund during.....(current year)’.

‘Excludes Rs.....spent from out of an advance(s) from the Contingency Fund obtained during .....(current year) but not recouped to the fund till the close of the year’.

**2.10 Advances from the Fund in respect of heads of account which close to balance**

The Consolidated Fund includes *inter alia* the section ‘Public Debt, Loans and Advances etc.’ This section differs in several respects from the remaining sections included in the Consolidated Fund for the reason that these sections are closed to balance. Whenever any expenditure relating to these sections is met from the Contingency Fund, these heads in the general accounts record only that portion of the expenditure which comes from the Consolidated Fund, while the relevant broadsheets will exhibit the entire expenditure whether met from the Consolidated Fund or from the Contingency Fund. The difference between the

Broadsheet and Ledger figures, in cases when any such expenditure is not recouped to the Contingency Fund during the same financial year, will have to be explained as due to the expenditure having been met from the Contingency Fund.

**CHAPTER III**  
**AUDIT AND CERTIFICATION OF APPROPRIATION**  
**ACCOUNTS OF UNION TERRITORY OF LAKSHADWEEP**

**3.01 General**

The A.G (A&E) was the accounting authority for Union Territory of Lakshadweep up to 1995-96. From 1996-97, Pay and Accounts Office, Union Territory of Lakshadweep is the accounting authority of transactions relating to Lakshadweep.

Principal Accountant General (C&CA), Kerala is the Accredited Audit Officer in respect of Grant of Union Territory of Lakshadweep.

The Appropriation Accounts of Union Territory of Lakshadweep are received in Audit Office in 3 stages, in accordance with the time schedule prescribed by the Controller General of Accounts, New Delhi every year.

- 1) Stage I - Grant Statement
- 2) Stage II - Head-wise Appropriation Accounts
- 3) Stage III - Audited Head-wise Appropriation Accounts

As per the schedule prescribed by the CGA, the PAO, UTL furnishes to PAG, Kerala, Stage I of Accounts – Grant Statements (Column 1 & 2 of Appropriation Accounts) including Statement of Recoveries adjusted in accounts in reduction of expenditure supported by the following Statements and certificates:

- (a) List of Re-appropriations, Surrenders and Supplementary Grant / orders together with photo copies thereof.
- (b) Certificate to the effect that
  - (i) The Statement is complete and contain all the re-appropriation and Surrender Orders issued in respect of Grant pertaining to Lakshadweep during the year..... (relevant year).
  - (ii) That all surrenders had been accepted by the Ministry of Finance, Department of Economic Affairs (Budget Division), New Delhi, vide Audit order F.No..... dated .....

The Stage I should contain all Statements/Details as specified in the Office Memorandum issued by the CGA in this regard every year.

On receipt of Stage I accounts, it has to be checked as prescribed in Para 3.02 and comments have to be issued to the PAO, UTL with copy to Director General of Audit, Central Expenditure and Controller General of Accounts within 30 days from the date of receipt of the Grant Statements.

After complying with the Audit Comments, the PAO, UTL has to furnish Stage II of Accounts – Headwise Appropriation Accounts together with the following Statements and Certificates as per the schedule fixed to the CGA.

In addition to Statements / Certificates enclosed with Stage I, the following documents should invariably be furnished with Stage II onwards.

(a) The following certificate is to be recorded at the end of the body of the Account itself:-

“Certified, to the best of my knowledge and belief that all expenditure included in the Head-wise Appropriation Accounts Union Government (Civil), for the year..... has been sanctioned by the Competent Authority (except for losses mentioned in Appendix).”

(b) Statement indicating Major Head-wise / Grant-wise totals of the Consolidated Fund of India (Disbursements) as appearing in the Statement of Central Transactions (SCT) and with the certificate that “expenditure figures included in the SCTs of Agent Ministries / Departments and intimated to the functional Ministries / Departments for inclusion in the latter’s Head-wise Appropriation Accounts have been reconciled and accepted by the Head of Ministry / Department.”

(c) Contingency Fund Statement in the proforma prescribed.

(d) Reconciliation Statement in Annexure – III duly certifying that figures appearing in Appropriation Accounts have been reconciled with SCT figures.

(e) Detailed Reconciliation Statement up to Sub Head / Minor Head level in the proforma prescribed.

(f) The variations (savings/excess) in column 4 exceeding the financial limits given in para 11.5.1 of Civil Accounts Manual (CAM) as amended from time to time are recorded.

(g) “All expenditure incurred during .....(year).....relevant to Grant No..... has been included in the Appropriation Accounts for that year

and no amount pertaining to it has been left unadjusted under any suspense head for want of paid vouchers etc.”

(h) Fund Account

(i) “Certified that the earmarked funds included in the Union Government Appropriation Accounts (Civil) for the year 2008-09 are eligible for inclusion and have the prior concurrence of the C & AG of India.”

(or)

(ii) “Certified that there is / are no fund(s) which is / are eligible for inclusion in the Union Govt. Appropriation Accounts (Civil) for the year .....

*In Fund Account it may be ensured that figures (opening balance, receipts, payments and closing balance) shown in the statement attached are reconciled with the figures shown in the Finance Account.*

(i) “Certified that action has been initiated for preparation of Explanatory Notes for Savings of Rs. \_\_\_\_\_/Excess of Rs. \_\_\_\_\_ in Capital / Revenue / Voted / Charged portion of the Grant.”

All the relevant records / files of the Administrative Ministry / Departments containing reasons for variations may be kept ready for production to Audit for their reference during the course of Audit of Stage II.

After receipt of Stage II of Accounts (Head-wise Appropriation Accounts), it has to be subjected to audit scrutiny in accordance with para 3.02 *ibid* and Comments / No Comments issued to the PAO, UTL with copy to Director General of Audit, Central Expenditure and Controller General of Accounts, New Delhi within 30 days from the date of receipt.

PAO, UTL should ensure that observations of Audit / CGA on Headwise Appropriation Accounts are complied with within ten days of their receipt.

According to the time schedule fixed the PAO, UTL has to furnish Stage III Accounts – Audited Head-wise Appropriation Accounts within ten days of issue of Audit Comments / No Comments. On receipt of Stage III Accounts it is further verified in Audit to see the compliance of audit comments, and Audit Certificate in the form specified in para 3.03 will be issued over the signature of the Accredited Audit Officer, viz. PAG as quickly as possible to the PAO, UTL

with copy to Director General of Audit, Central Expenditure and Controller General of Accounts, New Delhi.

*(O.M issued by CGA every year in this regard may be referred to for detailed instructions)*

The audit scrutiny of accounts is usually done by Audit Office by visiting the island offices at UTL or by arranging either to bring the records to the Administrative Office of UTL at Kochi or to the Office of the PAG at Thiruvananthapuram.

### **3.02 Checks to be exercised**

Some of the important checks to be exercised during the course of audit of Appropriation Accounts of UTL are outlined below:-

i. It should be ensured that the Headwise Appropriation Accounts is prepared according to the nomenclature up to sub head level, as printed in Detailed Demands for Grants. Therefore codes up to sub head level i.e. 11 digit codes (i.e. Major Head 4 digit, Sub Major Head 2 digit, Minor Head 3 digit and Sub Head 2 digit) along with nomenclature are to be shown in the Headwise Appropriation Accounts. Where there is no Sub Major Head '00' may be shown to follow uniformity of the coding provision.

ii. It should be ensured that sub heads are shown in serial order to facilitate correct checking of the accounts.

iii. It should be ensured that the major head wise totals appearing in the Headwise Appropriation Accounts for Gross as well as recoveries adjusted in reduction of expenditure are in conformity with Major head totals shown in the main Demands for grants separately for Revenue and Capital, and Charged and Voted portions.

iv. It should be ensured that the amount of surrender in the grant statement always corresponds with the Audit order issued by the Ministry of Finance for acceptance of the surrender and in no case it is different from the accepted amount even if the proposed amount was different from the actual accepted amount.

v. Stage I - Grant Statement should be checked thoroughly with original Demands for Grants and defects/omissions should be pointed out to the PAO, UTL for making necessary correction.



vi. Stage II - Headwise Appropriations should be verified to see whether the defects/omissions pointed out in Stage I have been made good.

**1. Form of Audit Certificate to be furnished by Accredited Audit Officer in respect of Appropriation Accounts of UTL**

‘I have examined the above accounts and according to the best of my information, as a result of test audit of the books and consideration of explanations given to me, I certify that the account is correct’.

**PRINCIPAL ACCOUNTANT GENERAL (C&CA)**

*[Para 4 of Annexure I (referred to in para 3.16.7) of MSO (Audit)]*

## CHAPTER IV

### FINANCE ACCOUNTS OF THE GOVERNMENT OF KERALA

#### 4.01 General

In accordance with the provisions of Articles 149 and 151 of the Constitution of India, read with Section II of the Comptroller & Auditor General's (Duties, Powers and Conditions) Act, 1971, C&AG has to prepare the Finance Accounts of the State and has to submit it to the Governor along with his report thereon for being laid before the State Legislature. These accounts depict the accounts of the receipts and outgoings of the State Government for the year together with the financial results disclosed by the Revenue and Capital Accounts, the accounts of the Public Debt and the liabilities and assets of the Government concerned as worked out from the balances recorded in the accounts. The Appropriation Accounts supplement this compilation.

#### 4.02 The Finance Accounts format

From 2009-10 onwards the form of State Finance Accounts has been changed. Finance Accounts is prepared in two volumes – Vol. I contains four statements (1, 2, 3, 4), Notes to Accounts and Appendix I and Vol. II contains the statements 5 to 19 and Appendix 2 to 14. The details are given in Para 4.05.

*(Paras 2.2 & 2.3 of MSO (A&E) Vol.II)*

#### 4.03 Responsibility for preparation

The responsibility for the compilation and bringing out the finally printed volume of the Finance Accounts rests with Accountant General (A&E). The draft Finance Accounts should be got checked by the Internal Audit Wing of Accountant General (A&E) before submission to Principal Accountant General (C&CA) for audit.

*(Paras 2.5 & 2.6 of MSO (A&E) Vol.II)*

#### 4.04 Preparation of Finance Accounts

The State Finance Accounts should have all statements and appendices prescribed by the Headquarters. They should bear the same statement number and title as prescribed. In case any statement is not applicable for the State this may be indicated in the body under the statement number and title. A brief mention of

the pattern of the Government Accounts, Main Divisions, Codification etc. is given under 'Introductory'.

**4.05** A brief description regarding the statements included in the Finance Accounts is given below: Instructions/clarifications issued by HQrs from time to time are to be observed while preparing the Statements/Appendices.

**“What do the Statements Contain?”**

The Finance Accounts have been divided into two volumes. Volume 1 presents the financial statements of the Government in the form of commonly understood summarized form while the details are presented in Volume 2.

Volume 1 contains the Certificate of the Comptroller and Auditor General of India, four summary statements as given below and Notes to Accounts including accounting policy.

1. Statement of financial position: Cumulative figures of assets and liabilities of the Government, as they stand at the end of the year, are depicted in the statement. The assets are largely financial assets with the figures for progressive capital expenditure denoting physical assets of the Government. Assets, as per the accounting policy, are depicted at historical cost.

2. Statement of receipts and disbursement: This is a summarized statement showing all receipts and disbursements of the Government during the year in all the three parts in which Government account is kept, namely, the consolidated fund, contingency fund and public account. Further within the consolidated fund, receipts and expenditure on revenue and capital account are depicted distinctly.

The fiscal parameters of the Government, i.e. the primary, revenue and fiscal deficit are calculated on the operations of the consolidated fund of the State. Hence the following two statements give the operations of the consolidated fund in a summarized form.

3. Statement of receipts (consolidated fund): This statement comprises revenue and capital receipts and receipts from borrowings of the Government consisting of loans from the GOI, other institutions, market loans raised by the Government and recoveries on account of loans and advances made by the Government.

4. Statement of expenditure (consolidated fund): This statement not only gives expenditure by function (activity) but also summarises expenditure by nature of activity (objects of expenditure).

In addition the volume comprises an appendix, Appendix I, which is an alternate depiction of receipts and disbursements of the Government in the form of a cash flow statement.

The second volume comprises three parts. The first part contains six statements as given below.

5. Statement of progressive capital expenditure: This statement details progressive capital expenditure by functions, the aggregate of which is depicted in statement 1.

6. Statement of Borrowings and other Liabilities: Borrowings of the Government comprise market loans raised by it (internal debt) and Loans and Advances received from the GOI. Both these together form the public debt of the State Government. In addition, this summary statement depicts 'other liabilities' which are the balances under various sectors in the public account. In respect of the latter, the Government as a trustee or custodian of the funds, hence these constitute liabilities of the Government. The statement also contains a note on service of debt, ie. a note on the quantum of net interest charges met from revenue receipts.

7. Statement of loans given by the Government: The loans and advances given by the State Government are depicted in statement 1 and recoveries, disbursements feature in statement 2, 3 and 4. Here, loans and advances are summarized sector and loanee group wise. This is followed by a note on the recoveries in arrear in respect of loans, the details of which are maintained by the AG office and details of which are maintained by the State departments.

8. Statement of Grants in aid given by the State Government, organized by grantee institutions group wise. It includes a note on grants given in kind also.

9. Statement of Guarantees given by the Government: Guarantees given by the State Government for repayment of loans, etc. raised by Statutory Corporations, Government Companies, Local Bodies and Other institutions

during the year and sums guaranteed outstanding as at the end of the year are presented in this statement.

10. Statement of Voted and Charged Expenditure: This statement presents details of voted and charged expenditure of the Government.

Part II Volume 2: This part contains nine statements presenting details of transactions by minor head corresponding to statements in volume 1 and part 1 of volume 2.

11. Detailed Statement of Revenue and Capital Receipts by minor heads: This statement presents the revenue and capital receipts of the Government in detail.

12. Detailed Statement of Revenue Expenditure by minor heads: This statement presents the details of revenue expenditure of the Government in details. Non Plan and Plan figures are depicted separately and a comparison with the figures for the previous year are available.

13. Detailed Statement of Capital Expenditure by minor heads: This statement presents the details of capital expenditure of the Government in detail. Non Plan and Plan figures are depicted separately and a comparison with the figures for the previous year are available. Cumulative capital expenditure up to the end of the year is also depicted.

14. Detailed Statement of Investments of the Government: The position of Government investment in the share capital and debentures of different concerns is depicted in this statement for the current and previous year. Details included type of shares held, face value, dividend received, etc.

15. Detailed Statement of Borrowings and other Liabilities: Details of borrowings (market loans raised by the Government and loans etc. from GOI) by minor heads, the maturity and repayment profile of all is provided in this statement. This is the detailed statement corresponding to statement 6 in part 1 volume 2.

16. Detailed Statement on Loans and Advances given by the Government: The details of loans and advances given by the Government, the changes in loan balances, loans written off, interest received on loans, etc. is presented in this statement. It also presents plan loans separately. This is the detailed statement corresponding to statement 7 in part 1 volume 2.

17. Detailed Statement on Sources and Application of funds for expenditure other than on revenue account: The capital and other expenditure (other than on revenue account and the sources of fund for the expenditure) are depicted in this statement.

18. Detailed Statement on Contingency Fund and other Public Account transactions: The statement shows changes in contingency fund during the year, the appropriations to the fund, expenditure, amount recouped etc. It also depicts the transactions in public account in detail.

19. Statement showing details of earmarked balances: This statement shows the details of investment out of reserve funds in public account.

Part III Volume 2 contains appendices on salaries, subsidies, grant-in-aid scheme wise and institution wise, details of externally aided projects, scheme wise expenditure in respect of major Central Schemes and State Plan schemes etc. These details are present in the accounts at sub head level or below (ie. below minor head levels) and so are not depicted in the Finance accounts. For a detail list please refer to the index in volume 1 or 2. The Statements read with the appendices give a complete picture of the state of finances prevailing in the State Government.

***Ready Reckoner***

For a quick reference to what the statements contain, please refer to the table below. The summary and detailed statement in respect of the important parameters are depicted below. The number of appendices depicted below is not exhaustive.

| <b>Parameter</b>                             | <b>Summary Statements (volume 1)</b> | <b>Detailed Statements (Volume 2)</b> | <b>Appendices</b>       |
|--|--------------------------------------|---------------------------------------|-------------------------|
| Revenue Receipts (including Grants received) | 2, 3                                 | 11                                    |                         |
| Revenue Expenditure                          | 2, 4                                 | 12                                    | 2 (salary), 3 (subsidy) |
| Grant - in - aid given by the Government     | 2                                    | 8                                     | 4                       |
| Capital receipts                             | 2, 3                                 | 11                                    |                         |
| Capital expenditure                          | 1, 2, 4                              | 5, 13, 17                             |                         |
| Loans and Advances given by                  | 1, 2                                 | 16                                    |                         |

|  |         |        |  |
|--|---------|--------|--|
| the Government   |         |        |  |
| Debt position/Borrowings                                     | 1, 2, 6 | 15     |  |
| Investments of the government in Companies, Corporations etc | 1       | 14     |  |
| Cash   | 1, 2    |        | 1, 8                                   |
| Balances in Public Account and investments thereof           | 1, 2    | 18, 19 |  |
| Guarantees Schemes   |         | 9      | 5<br>(Externally Aided Projects), 6, 7 |

**4.06** The Finance Accounts, Appropriation Accounts and Audit Report (Civil) are to be submitted to the State Legislature simultaneously. Therefore, it is essential that A.G(A&E) and PAG (C&CA) should coordinate the work of preparation of the Annual Accounts and the Audit Report, and checking of the accounts by PAG (C&CA) in such a manner that the printed copies of all these documents are forwarded simultaneously to the C&AG for signature/counter signature.

*Note: - Finance Accounts and Appropriation accounts are treated as confidential documents till they are presented to the Legislature.*

#### **4.07 Time Schedule**

The time schedule for the preparation and transmission of the Appropriation Account and Finance Accounts by the A.G (A&E) and the completion of their checks by the respective PAG has been prescribed by the Headquarters from time to time.

*(Refer Para 1.15 of this Manual)*

If there are factors which tend to upset the time schedule, FAA Section should promptly bring the matter to the notice of PAG (C&CA) for taking appropriate measures and reporting the position to A.G (A&E) wherever necessary.

*(O.O.41 dated 19-03-1987 of Report (Civil))*

**4.08** After the return of the Draft Finance Accounts with clearance for printing to A.G (A&E), a return containing the following information should be furnished to Report (Civil) by F.A.A Section for onward transmission to headquarters.

- (i) Date of receipt of Finance Accounts from A.G (A&E)
- (ii) Date of completion of check.
- (iii) Date of return of accounts with clearance for printing.

*(O.O.41 dated 19-03-1987 of Report (Civil); CAG's General Circular No.74-ACI/1986 No.1377-ACI/217/86 dated 17-12-1986)*

#### **4.09 Transmission of Draft Finance Accounts to Headquarters along with Chapter - I of Audit Report (Civil)**

Two copies of the finally checked Draft Finance Accounts, including the one already given to Audit earlier for checking, will be given to FAA Section by A.G (A&E). FAA Section will furnish one copy of the finally checked Draft Finance Accounts to Report (Civil) for onward transmission to Headquarters along with Draft Report of C&AG of India on State Finances.

*(O.O.41 dated 19-03-1987 of Report (Civil); CAG's General Circular No.74-ACI/1986 No.1377-ACI/217/86 dated 17-12-1986)*

#### **4.10 Audit Procedure**

The Finance Accounts prepared by A.G (A&E) have to be audited by PAG (C&CA) before submission of the Accounts to C&A.G for his signature.

In order to ensure that the submission of the annual accounts is not delayed, it will be necessary to take up the scrutiny of the materials forming the basis of Finance Accounts sufficiently in advance. After mutual consultations between A.G (A&E) and PAG (C&CA) the following procedure has been evolved for the checking of Finance Accounts.

Individual statements of Finance Accounts duly checked by ITA Wing of A.G (A&E) and approved by A.G (A&E) will be transmitted to Finance and Appropriation Audit (FAA) Section of PAG (C&CA) for preliminary check. FAA Section will conduct a thorough preliminary check of each statement and process audit observations, if any, on the statements. The checked statements along with the audit observations, if any, will be returned to the section concerned of A.G (A&E) within three days of their receipt. Based on the audit observations, corrections/modifications to the accounts will be carried out by A&E Office before preparing the Draft Finance Accounts. The Draft Finance



Accounts thus finalised (Book Form) will then be transmitted to Audit Office by A&E Office for general scrutiny and clearance for printing. After a recheck of the accounts by FAA Section further observations, if any, will be communicated to A.G (A&E). The observations/comments of PAG (C&CA) will be attended to by A.G (A&E) within one week of the receipt of checked copy of accounts. A final clearance will be given by PAG (C&CA) for the printing of the Finance Accounts.

*(O.O.41 dated 19-03-1987 of Report (Civil))*

#### **4.11 Clearance for printing**

A formal and specific clearance for final printing should be given by the Principal Accountant General (C&CA) who issues the Audit Certificate to the Accountant General (A&E) who is responsible for the printing of the Finance Accounts. *(See para 1.14 (a) also).*

*(CAG's General Circular No.2/Report (s)/89 No.98-Rep(s)/19/86-87 Dated 27-01-1989)*

#### **4.12 Audit Checks**

The detailed instructions regarding the preparation of Finance Accounts available in MSO (A&E) Vol.II may also be taken note of while exercising the audit checks.

An independent and thorough check of the Accounts compiled by A.G (A&E) is essential before the accounts are certified by the C & A.G. Such a check should be exercised by PAG (C&CA) whose primary duty is to ensure that the systems followed in the compilation of Accounts leading to Finance Accounts and Appropriation Accounts are satisfactory and fault free. This would necessarily mean that PAG (C&CA) has to check these accounts with the connected primary accounting records wherever such a necessity is felt to ensure their correctness.

The following points should be specially looked into while conducting audit of these Accounts apart from the detailed instructions regarding the preparation of Finance Accounts available in MSO (A&E) Vol.II. They are in no way to be taken as exhaustive and may be supplemented by more detailed scrutiny, wherever necessary.

While certifying the Finance Accounts, it should be examined whether:-

- (i) The heads of accounts shown in the accounts are authorised ones and the nomenclature thereof conforms to the classification contained in the LM & MH.
- (ii) There are any anomalies or obvious mistakes of classification.
- (iii) Wide variations between revised estimates and the actual expenditure have been properly examined to ensure that there has been no serious misclassification of expenditure.
- (iv) Per-contra adjustments have been carried out correctly in all cases.
- (v) Abnormal transactions of receipts, disbursements or balances have been investigated and rectified or properly explained by foot-notes. The balances under Debt, Deposits, Suspense and Remittances etc. should be particularly reviewed in detail.
- (vi) The opening balances agree with the closing balances shown in previous year's accounts.
- (vii) The adverse balances have been adequately explained and the action taken for liquidating the same is sufficient.
- (viii) The amounts shown against the minor head 'writes-off from heads of account closing to balance' under Major Head – '8680 – Miscellaneous Government Account' are covered by sanctions issued by Comptroller & Auditor General or other authorities to whom the power has been delegated.
- (ix) The codal provisions regarding transfer of entire balance under 'Cash Remittances between treasuries and currency chests' under Major Head – '8782' to 'Remittances in transit' under the Major Head – '8999' and that under '8675 – Reserve Bank Deposits' to '8999-Cash Balance Deposits with Reserve Bank' have been observed leaving no balance under the former heads.
- (x) The balance under 'Deposits with Reserve Bank' agrees with the balance communicated by the Bank and if not, the difference has been properly explained.
- (xi) The figures tally with those given in the 'Appropriation Accounts'.
- (xii) The figures exhibited in the summarised statements agree with those in the detailed statements; and

(xiii) Totals shown in the statements are correct.

*(Vide Para 3.16.14 of MSO (Audit))*

The following are the general checks to be exercised while preparing Finance Accounts (as given in Annexure – II to MSO (A&E) Vol.II). The Principal Accountant General (C&CA), in addition to exercising the usual checks on the accounts, will also exercise these checks on behalf of the C&A.G:-

- (i) The nomenclature of the Head of Account should conform to the classification given in the list of Major and Minor Heads of account.
- (ii) No unauthorised head of account should be exhibited in the Accounts.
- (iii) Reconciliation of figures in the Draft Finance Accounts and Draft Appropriation Accounts should be carefully done.
- (iv) Per-contra adjustments wherever carried out should be linked at different places.
- (v) Figures exhibited in the summarised statements e.g. 1,2,4,5,7 and 8 must tally with those given in the detailed statements and those taken in the Report of C&AG of India on State Finances.
- (vi) Minus balances wherever occurring in the Finance Accounts should be suitably explained by means of foot-notes and should be investigated for reconciliation/rectification as they may throw up misclassification of transaction in accounts.
- (vii) Opening Balances in the Finance Accounts should invariably agree with closing balances of the previous year's accounts and differences should be suitably explained by means of foot-note.
- (viii) Updated position in respect of difference in the accounts figures of Deposit with Reserve Bank and those intimated by the Reserve Bank of India should be exhibited in foot-note below Statement No. 1,7 & 16 as also in Chapter I of the Audit Report, and those should be the same at all these places.
- (ix) The totals and calculations of percentage in statements should be checked and correctness ensured.

- (x) Advances from Contingency Fund and their subsequent recoupment should be carefully watched so as to ensure that they are properly accounted and that there is no omission.
- (xi) It has to be ensured that all statements forming part of the Finance Accounts are attached and that there is no omission in this regard.
- (xii) Differences between Accounts figures and RBI Deposit figures should be reconciled. It should be ensured that payments made by RBI through daily scrolls are properly accounted for by Treasuries and that there is no omission requiring rectification.

Discrepancies between Statements 13 and 14 should be checked and corrected.

*(Para 1.6 of MSO (A&E) Vol.II and Para 5.04 of Manual of Appropriation Accounts Section-1<sup>st</sup> Edition)*

*The check list for audit of Finance and Appropriation Accounts received from Headquarters Office in letter No. 1075/Rep(S)-87/2009 dated 7.8.2009 is enclosed as 'Annexure' to the Manual. Consequent on the change in format of Finance Accounts, this check list of HQrs for Finance Accounts cannot be applied as such, as the list of prescribed checks to be exercised for the Finance Accounts in the old format. But it may be referred to and suitably adapted to the modified format while conducting audit checks in Finance Accounts.*

#### **4.13 Check of Primary Accounting Records for Certification of Finance and Appropriation Accounts**

Check of classification should be done as per instructions in Office Order No.30 issued in Coordination (Audit) 11/11-41A/86-87/39 dated 09-5-1986 by IAU Sections concerned and Central Audit Parties attached to them in Main Office and Branch Offices. Points of doubts, if any, in this regard may be got clarified from Appropriation Audit Section. A completion report of the checking of accounts will be furnished by IAU/CAP Sections to Appropriation Audit Section before 15<sup>th</sup> July of the succeeding year, together with a statement of unsettled objections raised during the check.

Appropriation Audit Section will conduct a review of broad-sheets of Debt, Deposit, Remittance and Suspense Heads maintained by Sections of A.G

(A&E) in the Main Office. They should *inter alia* review whether accounting sections have analysed and investigated the reasons for keeping such balances under Suspense/Remittance heads and review progress in clearance of difference between Ledger and Broad-sheet. March (Supplementary) accounts and Journal Entries will also be checked by FAA Section.

The review of Broad Sheets and balances under Suspense and Remittance heads relating to Public Works and Forest Department will be done by IAU Sections in Branch Office, Thrissur. Similar reviews in respect of heads for which Broad Sheets are maintained in Branch Offices at Kottayam and Kozhikode will be done by the IAU Sections in the Branch Offices at Kottayam and Kozhikode. The result of the checking and unsettled points, if any, will be reported to FAA Section before the 15<sup>th</sup> July of the succeeding year.

The programme of action drawn up by IAU Sections in main office and branch offices for checking of accounts will be reported to FAA Section early. FAA Section will take pursuant action on the completion report and unsettled points of objection.

***(O.O No.67 – No. Coordination (Audit) II/II-147 A/137 dated 25-05-1989 HQrs Circular No1409-Rep(s)/8-88 dated 13-12-1988)***

#### **4.14 Audit Certificate**

PAG (C&CA) will furnish the prescribed Audit Certificate in the form given below, to A.G (A&E) for being submitted to the Comptroller & Auditor General of India while forwarding the printed copies of the Finance Accounts for signature of C & A.G.

***(Vide Para 3.16.11 of MSO (Audit))***

Revised format of Audit Certificate was received from the C&AG of India in letter No. 412-Audit(AP)/34-2008-II dated 9.10.2009 effective from 2008-09 accounts.

## **Annexure**

Combined certificate of the C&AG on Finance Accounts

### **Certificate of the Comptroller and Auditor General of India**

This compilation containing the Finance Accounts of the Government of ..... for the year ending ..... presents the accounts of the receipts and disbursements of the Government for the year, together with the financial results disclosed by the revenue and capital accounts, the accounts of the public debt and the liabilities and assets as worked out from the balances recorded in the accounts. The Appropriation Accounts of the Government for the year for Grants and Charged Appropriations are presented in a separate compilation.

The Finance Accounts have been prepared under my supervision in accordance with the requirements of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, and have been compiled from the vouchers, challans and initial and subsidiary accounts rendered by the treasuries, offices and departments responsible for the keeping of such accounts functioning under the control of the Government of ..... and the statements received from the Reserve Bank of India. Statements (.....), explanatory notes (.....) and appendices in this compilation have been prepared directly from the information received from the Government of ...../Corporations/Companies/Societies who are responsible to ensure the correctness of such information<sup>♦</sup>.

The treasuries, offices and or departments functioning under the control of the Government of ..... are primarily responsible for preparation and correctness of the initial and subsidiary accounts as well as ensuring the regularity of transaction in accordance with the applicable laws, standards, rules and regulations relating to such accounts and transactions. I am responsible for compilation, keeping of the accounts, preparation and submission of Annual Accounts to the State Legislature. My responsibility for the compilation,

---

<sup>♦</sup> Depending upon the applicability to a particular AG(A&E) Office, this may be appropriately modified.

preparation and finalization of accounts is discharged through the office of the Accountant General (A&E). The audit of these accounts is independently conducted through the office of the Principal/Accountant General (C&CA) in accordance with the requirements of Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, for expressing an opinion on these Accounts based on the results of such audit. These offices are independent organizations with distinct cadres, separated reporting lines and management structure.

The audit was conducted in accordance with the Auditing Standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance that the accounts are free from material misstatement. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements.

On the basis of the information and explanations that my officers required and have obtained and according to the best of my information as a result of test audit of the accounts and on consideration of explanations given, I certify that, to the best of my knowledge and belief, the Finance Accounts read with the explanatory "Notes to Accounts" give a true and fair view of the receipts and disbursements for the purpose of the Government of ..... for the year .....

Points of interest arising from study of these accounts as well as test audit conducted during the year or earlier years are contained in my Reports on the Government of ..... being presented separately for the year ended .....

**(Name)**

**Comptroller and Auditor General of India**

**Date:**

**Place:**

## CHAPTER V

### ACCOUNTS AT A GLANCE

**5.01** Headquarters office has decided to issue an annual publication 'Accounts at a Glance' in respect of State Government Accounts and Finances, by the State Accountant General (A&E). The publication is to be issued under the signature of the Accountant General (A&E), who prepares the annual accounts. Printed copies of the Accounts at a Glance should be circulated immediately after the annual accounts are placed before the State Legislature. It has to be circulated in the same manner as the 'Brochure on Important Audit Findings'.

*(Headquarters letter No.724 – ACI/Sp.I/6-99 dated 15.12.1999)*

**5.02** Headquarters office has decided that the 'Accounts at a Glance' prepared by Accountant General (A&E) should be vetted by the Audit office concerned for further reassurance of correctness of figures.

Accordingly Principal Accountant General (C&CA) started vetting the Accounts at a Glance prepared by Accountant General (A&E) Kerala for the year 2003-04 onwards.

*(Headquarters D.O. No.461 – ACI/Sp.I/10-99 K.W dated 31.8.2004)*



## CHAPTER VI

### CIVIL ACCOUNTS AND REPORT ON MONTHLY EXPENDITURE

**6.01** Copies of Monthly Civil Accounts and Report on Monthly Expenditure sent to Government by A&E Office are received in FAA Section.

Monthly Civil Accounts (MCA) contain Budget estimates and actuals by major heads of all heads of accounts under Consolidated Fund, Contingency Fund and Public Account. Current month's figures and progressive figures up to the end of the month and progressive figures for the corresponding month of previous year are also shown. An analysis of cash balance of the State is also given.

MCA is scrutinized by FAA Section to see whether:

- i) All the heads of account are authorized and corrections to LMMH are incorporated.
- ii) The supplementary grant figures are incorporated in the accounts,
- iii) The closing balance of cash in treasuries as MCA agrees with the balance shown in the cash account rendered by the treasury officers (Disburser's Account).
- iv) The closing balance under 'Deposit with Reserve Bank' agrees with the figures in the statement of balances rendered by the RBI.

A random check of figures with the VLC data is made to ensure accuracy of the accounts.

The Report on Monthly Expenditure (Monthly Appropriation Accounts) shows original and supplementary budget estimates, amount reappropriated/surrendered, expenditure during the month and to the end of the month, savings/excess under each sub head and percentage of expenditure with

reference to provision. Recoveries of overpayments of the previous year(s) are also shown separately in the accounts.

**6.02.** The following are some of the checks to the exercised during the audit scrutiny of Monthly Appropriation Accounts.

- i) The heads of account shown in the Monthly Appropriation Accounts conform to the heads of account as per the LMMH/Demands for Grants.
- ii) The voted and charged provisions as well as Plan and Non Plan provisions are correctly entered in the accounts.
- iii) All reappropriation/surrender orders issued up to the month of accounts are incorporated in the accounts.
- iv) Significant cases of expenditure incurred without provision or in excess of available provision are examined with reference to VLC data to ensure that there is no misclassification.
- v) Apparent misclassification in accounts noticed are pointed out to compiling sections for rectification.
- vi) In case of large Recoveries of overpayments, the chalans available in DAE sections are scrutinized to ensure correctness of classification.
- vii) Random check of Monthly Appropriation Accounts with the data VLC module is conducted to ensure accuracy of accounts.
- viii) Classification adopted for Centrally Sponsored Schemes is checked to ensure that it is in conformity with the classification noted in the Government of India sanctions.

- ix) Cases of minus expenditure appearing in accounts are examined with the relevant records and classification errors brought to notice of compilation section.

**CHAPTER VII**  
**FINANCE ACCOUNTS – UNION TERRITORY OF LAKSHADWEEP**

**7.01** The Accountant General (A&E) was the accounting authority of Union Territory of Lakshadweep (UTL) till 1995-96. The Pay and Accounts Officer, UTL is the accounting authority in respect of the year 1996-97 onwards. There are some balances outstanding under various Debt/ Deposits/ Remittance heads in the books of A.G (A&E), Kerala as at the end of 1995-96 that have to be transferred to PAO, UTL for their acceptance. AG (A&E), Kerala has to prepare materials / statements for inclusion in the Union Finance Accounts of the respective years, till those balances are accepted by the PAO, UTL. The Principal Accountant General (C&CA) Kerala, being the accredited Audit Officer of the Accounts of Union Territory of Lakshadweep, has to audit the Materials / Statements prepared for inclusion in the Finance Accounts of the Union Government by Pay and Accounts Officer, UTL / A.G (A&E) Kerala and issue Audit Certificate in the form prescribed in para 6.03 below and forward it to DGA, CR, New Delhi.

**7.02 (a)** The following statements are received from Pay and Accounts Officer, UTL for issuing audit certificate.

**1. *Statement No.3 – Loans and Advances by Government***

This statement is to be prepared in lakh of Rupees.

**2. *Statement No.4 – Guarantees given by Government***

This statement is to be prepared in lakh of Rupees.

**3. *Statement No.5– Summary of balances***

This statement is to be prepared in thousand of Rupees.

**4. *Statement No.10– Statement of Expenditure on Capital Account during and to the end of the year***

This statement is to be prepared in thousand of Rupees.

**5. *Statement No.11– Statement showing the Investments of the Union Government in Statutory Corporations, Government Companies, Other Joint***

*Stock Companies, Co-operative Banks and Societies etc. up to the end of the year.*

This statement is to be prepared (columns 7 & 9) in thousand of Rupees. Investment during the year should tally with the amount booked in SCT as well as figures in Statement No.10.

**6. Statement No.13– Statement of Receipts, Disbursements and Balances under heads of account Debt, Deposit and Remittances and Contingency Fund**

The statement is to be prepared in thousands of Rupees.

(b) Following Statements are received from AG (A&E), Kerala for issue of Audit Certificate of Union Finance Accounts.

(i) *Statement No.5 – Summary of balances of Kerala Circle for the year in thousand of rupees.*

(ii) *Statement No.13 – Statement of Receipt, Disbursement and balances under the heads of accounts relating to Debt, deposits and Remittances and Contingency Fund of Kerala Circle for the year in thousand of rupees.*

(iii) *Statement No.15 – Statement of Loans and Advances, showing the amount advanced and repaid and interest received during the year and the balance of such loans at the commencement and close of the year of Kerala Circle in thousand of rupees.*

(iv) *Statement No.16 – Statement showing the details of earmarked balances of Kerala Circle for the year in thousand of rupees.*

(v) *Explanatory Notes*

(vi) *Annexure –P showing the list of balances dropped during the year*

(vii) *Action Taken Notes*

**7.03 Form of Audit Certificate to be furnished by Accredited Audit Officer in respect of Union Finance Accounts Statements of UTL / AG (A&E), Kerala**

“ I certify that the Accounts compiled by ..... for incorporation in the Finance Accounts of the Union Government for the year

..... have been examined and audited under my direction in accordance with the requirements of Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

As a result of test audit carried out under my direction and on consideration of explanations given to me, I certify that, to the best of my knowledge and belief, the accounts and review of balances have been correctly prepared.”

*(Annexure – 4 of MSO (Audit) – 2<sup>nd</sup> Edition)*

Separate Audit Certificate is to be issued in respect of Accounts prepared by PAO, UTL and AG (A&E).

**CHAPTER VIII**  
**TREASURY INSPECTION**

**8.01** Treasury Inspection is being done by A.G. (A&E) from 14-1-1992. The entire work relating to inspection of treasuries which was done by PAG (C&CA) was transferred to A.G (A&E). With effect from 1-10-99, FAA Section has been designated as the nodal section in the Office of the PAG (C&CA) for strengthening treasury inspection. Copies of Inspection Reports/Annual Review Report on working of Treasuries are being sent to PAG (C&CA) also from 1-10-1999. Report received from A.G (A&E) will be scrutinized by FAA Section. FAA Section will report the points requiring further verification to HQrs Sections controlling field parties for suitable action.

**8.02** HQrs Sections controlling field parties will send points which require verification at treasury, to FAA section periodically, where it is compiled (treasury wise) and a copy of the compiled statement will be given to TM Section, Office of the A.G (A&E), for verification during treasury inspections. The result of such verification may be obtained from TM Section and suitable action may be taken by FAA.

*(Office order No.Co-ordn.(Au)I/15-445/XX Conf./Vol.I dated 10.11.1999)*

**Annexure**  
*(Referred to in para 4.12)*

No. 1075/Rep(S)-87-2009  
OFFICE OF THE  
COMPTROLLER & AUDITOR GENERAL  
OF INDIA  
10, BAHADUR SHAH ZAFAR MARG,  
NEW DELHI – 110124  
DATE 07.08.2009

To,

**All Pr. Accountants General (Audit)**  
**Accountants General (Audit)**  
(Report States)

**Subject: Check list for Audit of Finance and Appropriation Accounts.**

Sir/Madam,

Kindly find enclosed an 'Audit Check list' to be used while auditing the Finance and Appropriation Accounts of the State.

In a meeting between the DAI (LB & AEC), ADAI (RS-I) and ADAI (RS-II), it was decided that after the conclusion of the audit of State Accounts, the PAG/AG (Audit) should communicate the unresolved issues in the accounts brought out during audit, to the DAI (LB & AEC), demi-officially in the form of a management letter with a copy to the ADAI of the concerned functional wing at Headquarters.

The audit checks specified in the check list should be applied by the PAsG/AsG while auditing the Finance and Appropriation Accounts for the year 2008-09.

Encl. As above.

Yours faithfully,

Sd/-

(Ila Singh)

Principal Director (RS-II)



## **Introduction**

Comptroller and Auditor General of India, under the provisions of Article 149 of Constitution read with Section 11 of the C & AG's (DPC) Act, 197 , is responsible for preparation of Annual Accounts of each of the State Government (except Goa) and of Union Territory provided with separate Legislative Assembly.

Accounts for each financial year are prepared in two volumes namely Finance Accounts and Appropriation Accounts.

The Accounts Office is responsible for finalizing the Finance Accounts and Appropriation Accounts of the State concerned and getting them checked by the Internal Test Audit wing and the Audit Wing before they are submitted to the C & AG for the approval and authentication.

Accountant General (Audit) while exercising audit check has to ensure that the systems followed in the compilation of Accounts leading to Finance Accounts and Appropriation Accounts are satisfactory and fault free. Thus, audit checks starts right from audit of Appropriation, audit of Sanctions, audit of Expenditure and finally ends with scrutiny of each of the Finance Accounts statements and each Grant and Appropriation of the Appropriation Accounts. This necessarily requires Audit Office to cross verify these accounts with the connected primary records (including those prescribed under VLC systems).

## **Finance Accounts**

Finance Accounts of the State Government present the accounts of all receipts and disbursement of the State for the year together with the financial results disclosed by the revenue and capital accounts, the accounts of public debt and liabilities and assets as worked out from the balances recorded in the accounts.

Finance Accounts contains 19 Statements in two parts. Part-I consists of eight summarized statements and Part II has eleven detailed statements followed with eight appendices.

Finance Accounts depicts net expenditure after taking into account recoveries.

## **Appropriation Accounts**

Appropriation Accounts of the State government presents the accounts of all the expenditure (both voted and charged) of the Government for each financial year, compared with the accounts of voted grants and charged appropriation for different purposes. It supplements the Finance Accounts so far as expenditure from Consolidated Fund is concerned.

Since a grant/appropriation, voted/charged, is authorized for the gross amount, expenditure against each grant/appropriation in the Appropriation Accounts is also shown as gross amount excluding recoveries.

### **Objectives of the Audit Check.**

- i) to verify whether the accounts prepared are correct and complete in all respect.
- ii) To ascertain whether the systems followed in the compilation of accounts leading to the Finance and Appropriation Accounts are satisfactory and fault free.
- iii) To examine whether acceptable Government accounting standard for financial reporting and disclosures have been complied with.
- iv) To verify, in case of Appropriation Accounts, whether money shown in the accounts as having been disbursed were legally available for and applicable to the service or purpose to which they have been charged and applied.
- v) To check whether figures shown in summarized statements agree with those shown in corresponding detailed statements.
- vi) To ensure arithmetical correctness in all respects.

### **Audit checks prior to finalization of Annual Accounts.**

- Audit wing is to check whether there are systems in force for budget formulation by the Government and expenditure control, so as to ensure that the estimates presented to the Parliament/Legislature are prepared in accordance with established procedure and that the executive has a mechanism in place to monitor expenditure vis-a-vi the budget to ensure that Grants and Appropriation are not exceeded. Detailed guidelines, in this regard, are given in chapter 2 of MSO Audit.
- Audit checks exercised on the Finance accounts and Appropriation accounts should be meaningful and time bound.
- Audit wing is to ensure that tie systems followed in the compilation of Accounts leading to Finance accounts and Appropriation accounts are satisfactory and fault free.
- Accounts are to be checked with the connected primary records (including those prescribed under VLC system).
- Audit of borrowings of the government, loans, advances and guarantees given by the government, operation of the reserve funds and sinking fund is to ensure that  
:
  - the transactions are within the prescribed limits and in tune with the authority that govern them;
  - the transactions are correctly reflected in the detailed account; and
  - the balances relating to these accounts represent amounts which are realizable and there exists a mechanism for periodic confirmation of

balances. Detail audit procedures of these items are given in Chapter 13 of MSO Audit.

- Monthly preparation and check of Appropriation accounts has been introduced to ensure timely submission of annual accounts.
- Central Audit Support Sections (CASS) is responsible for the audit of vouchers in the Loan, Book, Deposit and Account Current sections in Accounts Office to ensure control over unauthorized and excess expenditure and to enable the state Government to exercise control over the Annual Budget.
  - The Monthly Appropriation Accounts (ie, Monthly Report on expenditure prepared by Accounts Office should also be checked by CASS.
  - Following the introduction of VLC, reports generated through the database should be fully used for audit scrutiny.
  - Irregularities in payment, such as drawal of money on AC Bills, transfer of funds to Personal ledger Accounts, retention of deposits outside government accounts etc. should be pointed out by CASS.
- Audit of Appropriation Accounts are to be conducted at three stages. First stage relates to check of net appropriation under each Grants (Original + Supplementary + Re-appropriation) While the second stage involves scrutiny of each Grant as a whole ie. Total provision (O+S+/- R) vis-à-vis total expenditure against each of the classifications up to detailed head level in Detail appropriation Accounts. In the third stage, it is to be checked whether subheads are selected as per PAC norms for comments and whether the comments are effective in indicating the defect and deficiencies noticed against the selected subheads in Summaries Appropriation Accounts.
- In the first stage, audit of Grants are to be done with reference to Original and supplementary Budget documents, copies of all re-appropriation and surrender orders issued in respect of each Grant or Appropriation and errata to BE/SE issued by the Finance Department. Points raised by audit at this stage helps settling those issues before finalizing the Grant/Appropriation.
- Second and third stages of scrutiny start after the accounts for the year are closed.
- Wide variations between revised estimates and actual have to be properly examined to ensure that no serious misclassifications have occurred.

*(\*) The audit observations regarding drawal of AC Bills, Personal Ledger Account etc. may be included in the general comments of the respective grants in the Appropriation Accounts.*

*(\*) Audit points on Budget, initial records received from account rendering units, data compiled in VLC, subsidiary records maintained in Accounts Officers are to be*

*communicated to them at regular intervals so as to enable to resolve the issues in the year of accounts itself, which in turn would help maintaining the quality of accounts.*

**General check to be exercised on Draft Finance Accounts.**

***As per MSO (A&E)-Vol.II.***

- The nomenclature of the Head of Account should conform to the classification given in the list of Major and Minor Heads of Accounts.
- No unauthorized head of account should be exhibited in the Accounts.
- Reconciliation of figures in the Finance Accounts and the Appropriation Accounts should be effected completely for all the heads of accounts.
- Per Contra adjustments wherever carried out, should be linked at different places.
- Figures exhibited in the summarized statements 1, 2, 4, 5, 7 and 8 must tally with those given in the detailed statements.
- Minus balances wherever occurring in the Finance Accounts should be suitably explained by means of a footnote and should be investigated for reconciliation/rectification as they may throw up misclassification of transactions in Accounts.
- Opening balances in the Finance Accounts should invariably agree with the closing balances of previous year's accounts and any difference should be suitably explained by means of a footnote.
- Updated position in respect of difference in the accounts figures of Deposits with the Reserve Bank and those intimated by the RBI should be exhibited in the footnote below statements 17 and 16 as also in Chapter-I of the Audit Report. Difference between Accounts and RBI Deposit figures should be reconciled. It should also be ensured that payments made by RBI through daily scrolls are properly accounted for by Treasuries and that there is no omission requiring rectification.
- The totals and calculations of percentages in statements should be checked and correctness ensured.
- Advances from the contingency fund and their subsequent recoupment should be carefully watched so as to ensure that they are properly accounted for and that there is no omission.
- It has to be ensured that all statements forming part of the Finance Accounts are attached.
- Discrepancies between Statements 13 and 14 should be checked and corrected.
- No anomalies and obvious mistakes of classification exist,

- Wide variation between Revised estimates and actuals have to be properly examined to ensure that no serious misclassifications have occurred.
- There are no abnormal transactions of receipts/disbursements requiring investigation, rectification or insertion of suitable footnotes.
- Broad checks over 'adverse' balances under several Debt/Deposit/Remittance heads should be carried out with a view to ensure that a correct explanation is given for the same wherever it is not possible to rectify such balances at the stage of finalizing the draft Finance Accounts of a particular year.
- It should be ensured that the entire balance under "8782-Cash remittances etc. cash remittances between Treasury and Currency Chests" has been transferred to "8999 Cash Balance – Remittances in Transit" leaving no balance under the former head. If balances are shown under both these heads of Statement 16, these should be investigated to ensure necessary corrections and observance of the prescribed procedure.
- Similarly, no balance should appear in Statement 16 against the head "8675- Reserve Bank Deposits", the entire account balance being shown against "8999- Cash Balance – Deposits with Reserve Bank.
- In respect of the major head "8680 – Miscellaneous Government Account", there is minor head "Write – off from heads of account closing to balance". The figures appearing against this head in Statement 16 (current debits/credits). Should be verified with reference to the sanctions issued by CAG or by AG in certain cases.

### Statement Specific Audit checks

#### Statement-1 : Summary of Transactions (Rupees in lakh)

**Salient features:** This statement is a comparative statement for previous year and the current year showing the figures under Consolidated Fund, Contingency Fund and the Public Account. It also shows Opening Cash Balance of the Government at the beginning of the year and Closing Cash Balance at the end of the year.

This statement includes an Explanatory Note showing Revenue Deficit/surplus, details of receipt from Government of India and also the reasons for significant variations in receipts and expenditure as compared to the previous year.

**Source Data:** Civil Accounts for March (Sup), Consolidated Abstracts of functional major heads, Ledger for DDR heads, information collected from SRA, O/o the AG (WF&RA), regarding taxation changes, previous year's Finance Accounts, Contingency Fund Register.

**Link statements:** Statements – 11,12,13,16 and 17.

| Contents  | Audit Checks.  |
|---|--|
| <p><b>1. Consolidated Fund</b><br/>                     - Major head wise revenue receipt and expenditure.<br/>                     Receipts and expenditure under Grants-in-aid.<br/>                     - Receipt and expenditure under Capital section (Grand Total Only)<br/>                     - Public Debt.<br/>                         a) Internal Debt of the State Government.<br/>                         b) Loans and Advances from Central Government.<br/>                     -Recoveries and disbursement of Loans and Advances.</p> | <p><b>General checks</b><br/> <b>1.</b> The Figures regarding comparative summary of transactions for current and previous year should be carefully checked with reference to other statements.<br/> <b>2.</b> Two sides of the statements ie, Grand Totals of receipts and payments must agree taking into consideration Revenue deficit/Revenue surplus.<br/> <b>3.</b> Last year's figures appearing in the statement should be verified with the Finance Account of previous year. Difference, if any, should be explained suitably in footnote.<br/> <b>4.</b> Whether the figures of Revenue and Capital receipt and Grant-in-aid received agree with the figures of Statement 11?<br/> <b>5.</b> Whether the figures of Revenue expenditure and Grant – in-aid agree with the figures of Statement 12?<br/> <b>6.</b> Whether total capital expenditure figures agree with Statement 12 and 13?<br/> <b>7.</b> Whether receipt and disbursement under public Debt and loans and advances received and disbursed agree with Statements 16 and 17?<br/> <b>8.</b> Whether contingency fund figures agree with the figures shown under Contingency Fund in Statement 16 and Contingency Fund register maintained the A &amp; E office?</p> |

|   |   |
|---|---|
| <p><b>II. Contingency Fund</b></p> <p><b>III. Public Account.</b></p> <p>I. Small savings, provident fund etc.<br/> J. Reserve Funds.<br/> K. Deposits and Advance.<br/> L. Suspense and miscellaneous.<br/> M. Remittances.<br/> N. Cash Balance, O.B,</p> <p><b>Explanatory Note.</b></p> <p>- Sale proceeds of Central Taxes.<br/> - Taxation Changes.<br/> - Reasons for variations in Receipts and expenditure as compared to previous year.</p> | <p>9. Contingency Fund figure represents expenditure met from Contingency Fund in the previous years but recouped in the current year should be shown as receipt. Correctness of the figure is to be checked based on previous year/years un recouped items and a footnote to this effect has to be incorporated.</p> <p>10. Contingency Fund figure represents expenditure met from contingency fund in the current year but not recouped during the year should be shown as payment. A footnote to this effect has to be incorporated. Correctness of the figure is to be checked from Contingency fund register, Sanction Orders and recoupment orders as indicated in Supplementary estimates.</p> <p>11. Whether the figures of public Account agree with the figures of Statement no. – 16?</p> <p><b>Checks on explanatory Note.</b></p> <p>1. Whether there is any variation between the two sets of figures ie. The figure shown in the Explanatory Note to Statement-1 and the total of all figures under Minor Head 901 shown I Statement-11, excluding major head ‘0030 Stamps and Registration’ (minor head ‘901-Deduct-Payments to Local Bodies of net proceeds’)?</p> <p>2. Whether explanation for major variations of Rs.10 crore or above in Revenue Receipts and Revenue expenditure are satisfactory and are in conformity to the reasons given by the department in surrender/re-appropriation orders and budget documents.</p> <p><b>Check of footnotes.</b></p> <p>1. Any book transfers between Revenue Receipt and Revenue expenditure heads (ie. Receipt shown under ‘0049- Interest Receipts’ by contra debit to ‘2701-Medium Irrigation’ and ‘2711 – flood Control’ etc.) should be qualified by footnotes on both sides.</p> <p>2. Debt Relief received and classified under major head ‘0075’ and ‘interest relief’ received on debt (major head ‘2049’) has to be qualified through footnotes.</p> <p>3. Whether the minus figure of the closing cash balance, it any, have been suitably justified through footnotes?</p> <p>4. Whether a footnote is added in case of any variation between the closing cash balance with RBI, as shown in Finance Accounts, and the Closing balance intimated by RBI?</p> <p>5. Whether a footnote is added, if transactions pertaining to Grants-in-aid to Local Bodies, Reserve funds etc., are booked under Capital section instead of Revenue section?</p> <p>6. In general, minor head ‘901-Share of net</p> |
|---|---|

|  |   |
|--|---|
|  | <p>proceeds of Union 'Taxes' under all Revenue Receipts major heads, barring major head '0030 Stamps and Registration', should depict positive figures. In case of any negative figure, whether a suitable footnote is given?</p> <p>7. If the amount of extraordinary receipts realized by the Government every year is considerable and appears to be a continuous source of revenue, the nature of the receipts and the important factors affecting the revenue under this head may be elucidated.</p> |
|--|---|



**Statement – 2: Capital Outlay outside the Revenue Account (Rupees in crore).**

**Salient features:** It is the summarized statement of capital outlay. It presents major head wise progressive capital outlay till the end of the previous year, current year's Capital expenditure and total progressive capital expenditure at the end of the current year.

Explanatory notes at the end of the statement contains brief description about previous year/years' contingency Fund item recouped in the current year and current years contingency items which remained un-recouped during the year, investment of the Government during the year, dividend received by Government thereon and a few State specific information (eg: allocation of capital outlay consequent on reorganization of the States).

**Source Data:** Civil Accounts for March (Sup), Consolidated Abstracts functional heads, previous year's finance Accounts.

**Link statements:** Statement 13 and 14.

| <b>Contents</b>   | <b>Audit Checks</b>  |
|---|--|
| <p><b>Expenditure in Capital section</b></p> <ul style="list-style-type: none"><li>- Capital expenditure up to the previous year.</li><li>- Capital expenditure of current year.</li><li>- Progressive expenditure as to the end of current year.</li></ul> <p><b>Explanatory note</b></p> <ul style="list-style-type: none"><li>- Expenditure met from Contingency Fund and subsequent recoupmnt.</li><li>- Allocable capital Outlay.</li><li>- Investment out of capital expenditure and dividend thereof.</li><li>- Proforma Accounts of Commercial and quasi-commercial undertakings.</li></ul> | <p><b>General checks.</b></p> <ol style="list-style-type: none"><li>1. Opening balance should be checked from the previous year's Statement No.2 of Finance Account. In case of any variation suitable footnote should given.</li><li>2. Whether the major head-wise total expenditure of current year agree with the figures shown in statements – 12 and 13?</li><li>3. Arithmetical accuracy of total progressive figures at the end of current year should be checked.</li></ol> <p><b>Checks on Explanatory Note.</b></p> <ol style="list-style-type: none"><li>1. Whether details of expenditure met from Contingency Fund but not recouped during the year has been given?</li><li>2. Whether details of expenditure met from Contingency Fund in the previous Year/Years but recouped during the year has been added?</li><li>3. Allocable Capital Outlay consequent on Re-organization of States, which is yet to be settled has to be depicted. The sum total of amounts given in footnotes to Statement-13 against relevant Capital major heads should agree with the figure depicted in this statement.</li><li>4. Total amount of investments out of the capital expenditure incurred has to be</li></ol> |

|  |  |
|--|--|
|  | <p>given. The figure relating to Investments and Dividends received during the year should agree with those shown in Statement – 14 and Appendix – 1.</p> <p>5. Whether State specific explanations, if any, are added?</p> <p><b>Checks on footnotes.</b></p> <p>1. Whether minus figures have been explained suitably?</p> <p>2. Whether variation in closing balance due to proforma correction carried out to rectify previous year/years misclassifications has been explained suitably?</p> <p>3. Whether a footnote is added, if transactions pertaining to Grants-in-aid to Local Bodies, Reserve funds etc., are booked under Capital section instead of Revenue section?</p> |
|--|--|

**Statement – 3 : (i) Financial Results of Irrigation Works (ii) Financial Results of Electricity Schemes (Rupees in lakh)**

**Salient features:** It contains the financial results of major irrigation and navigation works giving out the project-wise details of capital invested during and to end of the year. Further the revenue receipts for the year, working expenses, net revenue and the rate of return on the capital outlay is included in the statement.

**Source Data:** Civil Account, Consolidated Abstracts, Material from State Government regarding ‘Indirect receipts’ and ‘indirect charges’, Administrative account prepared by Works Compilation section.

**Link statements:** Statements 11, 12 and 13.

| <b>Contents</b>  | <b>Audit Checks</b>   |
|--|---|
| <p><b>Financial results of Irrigation projects and Electricity Schemes.</b></p> <p>-Capital outlay during the year Progressive total at the end of the year on Irrigation projects declared as commercial.<br/>                     - Progressive total at the end of the year on Electricity scheme declared as commercial<br/>                     - Direct and indirect receipts of the projects/schemes Working expenses and maintenance expenditure.<br/>                     - Net revenue excluding interest.<br/>                     - Net profit or loss after meeting interest.</p> <p><b>Explanatory notes</b></p> | <p><b>General Checks.</b></p> <p>1. Irrigation projects / Electricity schemes which have been declared as commercial should only be included.<br/>                     2. Whether information in respect of both financial results of irrigation works and electricity schemes have been given.</p> <p><b>Checks on Explanatory notes.</b></p> <p>1. Whether decrease/increase in the percentage of profit/loss as compared to previous year and reasons thereof have been included?<br/>                     2. Whether rate of interest charged in that year has been indicated.<br/>                     3. whether criteria for considering a project/scheme as ‘productive’ or ‘unproductive’ have been explained.<br/>                     4. Amount of unrealized revenue on outstanding water rates and arrears, if any, should be indicated.</p> <p><b>Checks in footnotes.</b></p> <p>1. As significant amount of information for this statement are to be received from the State Government, in case in information is awaited from the State Government, in case the information is awaited from the State Government, whether the same has suitably been justified?<br/>                     2. If there are no departmentally run and managed electricity generating schemes under the direct control of the Government, it should be mentioned.</p> |

**Statement – 4 : Debt position of government including expenditure incurred on the service of debt (Rupees in crore).**

**Salient features :** This statement indicates the summary of debt position of State Government, showing the balances at the end of the year divided in three parts (i) Statement of borrowings which include *inter alia* borrowings under Internal Debt, Loans and Advance from Central Government; (ii) Other Obligations; and Servicing of Debt.

**Source Data:** Civil Accounts for March (Sup), Consolidated Abstracts of functional heads, Ledger and relevant records maintained in Book Section.

**Link statements:** Statements – 1, 11, 12, 16, 17, 18 and 19

| <b>Contents</b>  | <b>Audit Checks</b>   |
|--|---|
| <p><b>Statement of Borrowings</b></p> <p>Statement of borrowings which includes Internal Debt of the State Government, Loans and Advances from the Central Government, Small Savings, Provident Funds etc.</p> <p><b>Explanatory notes :</b></p> <ul style="list-style-type: none"> <li>- Allocable debts among the States due to reorganizations.</li> <li>- Loans raised in the open market during the current year.</li> <li>- Contributions to sinking fund for keeping aside necessary fund for amortization of Open Market Loans.</li> </ul> | <p><b>General checks</b></p> <ol style="list-style-type: none"> <li>1. figures shown in this statement must invariably tally with the corresponding figures shown in Statement 1, 16, 17 and 19. As these statements are shown different denominations, care needs to be taken to avoid variations across the statements.</li> <li>2. Amount of internal debt obtained by the State government and rate of interest thereon should be verified from the details given in Statement – 17 and other records of A &amp; E office.</li> </ol> <p><b>Checks on explanatory notes.</b></p> <ol style="list-style-type: none"> <li>1. Allocable debts among the States due to reorganisations, also form part of the Governments liability and are to be qualified.</li> <li>2. Since Loans raised in the open market during the current year add to the existing liability, details of new loans raised are to be indicated (details available in Statement – 17)</li> <li>3. Government contributes to Sinking fund for keeping aside necessary fund for amortization of Open Market Loans. Balances under Sinking fund are to be indicated separately. Figures are also available in Statement – 19, Annexure -1 sinking Fund are to be indicated separately. Figures are also available in Statement – 19, Annexure – I Sinking fund and Annexure – II sinking Fund Investment Account.</li> </ol> |

|  |   |
|--|---|
| <p>- <b>Other obligations:</b> It includes liabilities/obligations in respect of balances under earmarked funds and other funds and also certain deposits to the extent they have to been invested but are merged with General Cash Balance of Government.</p> <p><b>Service of debt :</b> It shows (i) Gross debt and other obligations outstanding at the end of the year (ii) Interest paid by the Government (iii) Interest received on loans and advances and Investment of cash balances by the Government and (iv) dividend received.</p> | <p>4. Whether the total figures against other liabilities has been arrived at correctly and agrees with Statements 16 and 19.</p> <p>5. while depicting the figures for servicing of total of (i) Statement of borrowings and (ii) obligations is to be arrived at.</p> <p>6. Interests paid by the government on (a) Public and unfunded debt and on (b) Reserve funds is shown separately. It is to be checked whether figures tally with major head '2049' in Statement as depicted against relevant minor heads.</p> <p>7. Interest realized on (a) Loans and advances given the government and (b) Interest realized Investment of cash balance are to be indicated to be checked whether the figures for item (a) and agrees with the figure shown against /column 'Interest received' in Statement-18 and the figures item (b) agrees with the figure under minor '110 – Interest realized on investment of balances' under major head '0049' in Statement.</p> <p>8. Interest received from Departmental Com Undertakings should agree with the figures minor head '0049 – 103' in Statement – 11.</p> <p>9. Dividend received figure should be verified with figures shown under major head '0050 – Dividend and profit' in Statement – 11.</p> <p>10. Net amount of interest charged. Percentage of interest to total revenue receipts and percentage net interest to total revenue receipts have correctly worked out.</p> <p><b>Checks on footnotes.</b></p> <p>1. Debt Relief/Debt Waiver received classified major head '0075' and Interest Relief class under major head '2049' are to be qualified three footnotes.</p> |
|--|---|

**Statement – 5 : Loans and advances by the Government including recoveries in arrears (rupees in crore/lakh)**

**Salient features:** This is a sector and sub-sector wise summarized statement of loans and advances disbursed by the government and repayment made during the year along with statement of recoveries in arrears. Net increase/decrease against loans disbursed by the State Government is shown considering Opening and Closing balance.

**Source Data:** Loans ledger, Civil Accounts for March (Sup), Consolidated Abstracts of Loan heads, previous year’s finance Accounts.

**Link statements:** Statements – 1, 16 and 18

| <b>Contents</b>  | <b>Audit Checks</b>  |
|--|--|
| <p><b>Category wise details of Loans and Advances disbursed by the Government</b></p> <p>(i) Statement of Loans &amp; Advances by the State Government.<br/>                     (ii) Recoveries in arrears, Principal and Interest of loans given by the Government, outstanding at the end of current year. Amount of principal and interest became overdue.</p> | <p><b>General checks</b></p> <ol style="list-style-type: none"> <li>Opening balance should be verified with the Closing Balance of last year. Difference, if any, should be explained in footnote.</li> <li>Current year’s figures should be checked with the figures of Statement – 18.</li> <li>Totals shown in this statement must agree with these shown in Statements -1, 16 and 18.</li> <li>Information, regarding extent of recoveries in arrears, both principal and interest, in respect of categories of loans, the detailed accounts of which are maintained by the Departmental Officers and those in respect of which the detailed accounts as kept by the Accounts Office, may be given separately. Non-receipt of this information, if any, to be indicated.</li> <li>The loans and advances in respect of which the terms and conditions of repayment have not been settled should also be indicated.</li> <li>Short notes may be added indicating the state initial loan accounts maintained by the Department Officers. Details of concerns which have gone under liquidation and from which the recovery of loan outstanding may be stated.</li> <li>Whether it has been indicated that head of department has informed regarding overdue recoveries and the steps taken to recover the arrear.</li> </ol> <p><b>Checks on footnotes.</b></p> <ol style="list-style-type: none"> <li>Whether footnote is added to explain the reasons minus balances?</li> <li>Footnote is to be added regarding detailed statement ie, Statement – 18.</li> </ol> |

**Statement – 6 : Guarantees given by Government (Rupees in lakh)**

**Salient features:** Government give guarantees to Statutory Corporations, Government Companies, Co-operative Institutions and also to Local Bodies for the discharge of liabilities like loan, repayment of share capital etc. of those bodies. Government do not incur an expenditure initially while giving guarantees. Guarantees given by the Government constitute Contingent Liabilities of the Consolidated Fund of the State and are to be discharged in case the Institutions/Bodies fail to discharge their liabilities. As such these amounts do not find place in the accounts rendered by the account rendering units. The information, therefore, has to be called for from the individual Institutions /Companies/Co operatives/Local Bodies well in advance. In case of non-receipt of such information, the figures can be culled out from the Budget documents of the succeeding year. Maximum amount of guarantees and outstanding amount of guarantees, both principal and interest are depicted.

The institutions are required to pay guarantee commissions in consideration of the guarantee given by the Government guarantee commission is remitted in treasuries by the institutions through challans, which are accounted for under major head '0075-00-108' in government account. The Government may also waive guarantee commission in specific cases.

**Source Data :** Government orders, material from institutions, annexures to budget documents, copies of challan for remittance of Guarantee Commission under minor head '108' of major head '0075'.

**Link statements:** Statement – 11.

| <b>Contents</b>   | <b>Audit checks.</b>  |
|---|---|
| <b>Guarantee Position</b><br>- Maximum amount guaranteed (Principal)<br><br>- Sums guaranteed outstanding at the end of current year (Principal + Interest) | <b>General Checks</b><br>1. To check whether any limit has been prescribed under Article (293) of Constitution of India within which Government may give guarantee on the security of the Consolidated fund of State and that maximum guarantee is within the limit.<br>2. Figures should be verified with the records maintained in Book Section of A&E office.<br>3. The information provided in the statement should be current. |

|  |  |
|--|--|
|  | <p>4. Whether the statement shows maximum amount of guarantee and outstanding amounts of guarantees (principal + interest) against each category of Institutions/ Co-operative/Body?</p> <p>5. Whether commission on guarantees received has been exhibited against the individual institution or group of institutions/co-operatives and their total agree with total commission received on guarantees.</p> <p>6. Whether copies of all the challans are available in support of remittances?</p> <p>7. The information provided in the statement should be as on 31<sup>st</sup> March of the year.</p> <p>8. Whether the guarantee commission taken as receipt in the accounts agree with the receipts shown in the Statement – 11?</p> <p>9. Whether guarantee commission outstanding for recovery has been indicated?</p> <p><b>Checks on footnotes.</b></p> <p>1. Specific details about the transactions of some of the organizations/Institutions are to e qualified through footnotes.</p> |
|--|--|



**Statement – 7 : Cash Balance and Investment of cash balances (Rupees in lakh)**

**Salient features:** This depicts the overall cash balance position of the Government viz.

Balances with RBI, Deposits with commercial banks are remittances in transit. It also shows the investments made out of the Cash Balance, Departmental Balances, Cash Imprest and Investments in earmarked Funds. It also explains the Ways and Means position of the Government.

**Source Data :** Civil Accounts for March (Sup), Consolidated Abstracts functional heads, Ledger, Broadsheet of Ways and Mean Advances, Over Draft (OD) register, Broadsheet of 8673 Cash Balance Investment account, Interest rates and limits for Normal and special Ways and Means Advances received from RBI Nagpur from time to time and Previous Year’s Finance Account.

**Link statements:** Statements – 1 and 16.

| <b>Contents</b>  | <b>Audit Checks</b>  |
|--|--|
| <p><b>General cash balances</b></p> <ul style="list-style-type: none"> <li>- Deposit with reserve Bank</li> <li>- Investment held in cash balance Investment Account.</li> </ul> <p><b>Other cash balances and Investments.</b></p> <p><b>Explanatory Notes.</b></p> | <p><b>General Checks.</b></p> <ol style="list-style-type: none"> <li>1. Cash Balance position should be similar to Closing Balance as reflected in the Civil Accounts March (Supplementary).</li> <li>2. Items (1) to (4) under General Cash Balance are minor head components of major head ‘8999 Cash Balance’ and these figures are to be tallied with Opening Balance and Closing Balance, as shown in Statements – 16 and 19.</li> <li>3. Opening Balance should tally with the Closing balance of last year’s account. Any variation should be suitably explained in footnote.</li> <li>4. Whether Opening Balance and closing Balance against major head ‘8673’ agrees with corresponding figures in statement – 16?</li> <li>5. Present status of difference (to end of June, accounts for June are closed) between the two sets of figures giving details of clearance of difference between 31 March and 30 June is to be provided.</li> <li>6. Whether figures shown under Investment out of Earmarked Funds agree with those shown in Statement – 16 under ‘Investment Account’ respective earmarked funds?</li> </ol> <p><b>Checks on explanatory Notes.</b></p> <ol style="list-style-type: none"> <li>1. Whether government’s Ways &amp; Means</li> </ol> |

|   |  |
|---|--|
| <p>- Governments Ways and Means position.</p> | <p>Position been explained in detail?</p> <p>2. Ways and Means Advances (normal and special) Overdraft availed should be checked with the records (Broadsheet) maintained in Book Section of A&amp;E Office. It should be checked that in no case it exceeds more than 365/366 days, as the case may be.</p> <p>3. Whether rates of interest for each category of Ways and Means Advances, Shortfall and Overdraft have been tabulated and whether they agree with the information received from RBI from time to time?</p> <p>4. Terms and condition for Ways and Means Advances and Overdraft should be verified from the information received from the RBI and records maintained in Book section of A &amp; E office.</p> <p>5. Whether interest charged in respect of Ways and Means Advances shown in the statement tally with amount booked against head '2049-01-145 – Interest on Ways and Means Advances' from RBI appearing in Statement – 12 ?</p> <p>6. Date up to which RBI has included monetary adjustment in the accounts of the current financial year in respect of 'Deposits with Reserve bank' has to be indicated.</p> <p>7. Analysis of investments held in Cash Balance Investment Account is to be given in tabular form and the figure should tally with the figures of Statement – 16 (minor head '101' of major head '8673') and Statement – 11 (minor head '110' of major head '0049').</p> <p>8. Details of investments out of earmarked funds are given in statement – 19. Significant points from that statement may be indicated.</p> <p><b>Checks on footnotes.</b></p> <p>1. Whether negative Closing Balance has been justified in footnote.</p> <p>2. Variation, if any, between the closing Cash Balance with RBI, as shown in finance Accounts, and the Closing Cash balance intimated by RBI, should be given in footnote.</p> |
|---|--|

**Statement – 8: Summary of Balances under Consolidated Fund contingency Fund and Public Account (Rupees in thousand)**

**Salient features:** This statement depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account at the end of current year. It provides a summary of financial asset and liabilities of the Government at the end of the year under different sectors as Debit and Credit balances respectively to two sides. Under the system of book keeping followed in government Account, the amount booked under Revenue an Capital heads and other transactions of Government, the balance of which are not carried forward from year to year in the accounts are termed as Government Account. The Debit balance of this Government Account is then added to balances under Debt Contingency fund and Public account and the closing balance at the end of the year is worked out which should tally with the closing cash balance of Statement – 16.

**Source Data:** Civil Accounts for March (sup) consolidated Abstracts of functional heads, Ledger and Finance Accounts of previous year.

**Link statements:** Statements – 15 and 16.

| <b>Contents</b>  | <b>Audit Checks</b>   |
|--|---|
| <p><b>Summary of balances.</b><br/>Debit and Credit balances under different sectors of General account.</p> | <p><b>General Checks</b></p> <ol style="list-style-type: none"> <li>1. Figures posted should be correct and agree with those given in Statement – 16.</li> <li>2. Whether debit balance against government Account is arrived at in Para 3 of the statement duly considering the figures of Sectors A to G?</li> <li>3. While checking balances under various sectors following norms are to be followed : <ul style="list-style-type: none"> <li>E-Public Debt would be always credit balance (net).</li> <li>F-Loans and advances would be always debit balance (net).</li> <li>Contingency Fund would be Credit Balance (Total Fund amount minus un-recouped amount).</li> <li>I-Small Savings would be always credit balance.</li> </ul> </li> <li>4. J-Reserve Funds are of two categories : <ol style="list-style-type: none"> <li>1. Reserve Funds bearing interest (credit net).</li> <li>2. Reserve Funds not bearing interest (credit net).</li> </ol> </li> <li>5. For Reserve funds, not bearing interest,</li> </ol> |

|  |   |
|--|---|
| <p><b>Explanatory Notes.</b></p> <ul style="list-style-type: none"> <li>- Un-reconciled differences.</li> <li>- Government Account.</li> </ul> | <p>Main account (Gross) would be always credit balance. Whereas Investment account would be always debit balance.</p> <p>6. K-Deposits and Advances would be always credit balance, except major head '8550 Civil Advance' (always debit balance).</p> <p>7. Deposit figures are to be shown on both sides under category (similar to that of J-Reserve Fund, in case of investment made out of Deposits).</p> <p>a) Deposits bearing interest.<br/>b) Deposits not bearing interest.<br/>c) Advances.</p> <p>8. Major head '8680 – Misc. Government Account' meant for 'write off from heads of account closing to balance' is treated as closed to government Account and net of the current year's transaction is to be taken on debit side or credit side, as the case maybe. At the time of arriving at the L-Suspense figure, this item is to be excluded.</p> <p>9. Major head '8673 Cash Balance Investment Account' which is a part of 'L-Suspense' is to be shown separately. It would generally be a debit balance (net).</p> <p>10. Other items under suspense can be either Credit (net)/Debit (net).</p> <p>11. M-Remittances can be Credit/Debit balance.</p> <p>12. Cash balance is always debit balance in the records of the Government.</p> <p>13. In case of negative Closing Balance, it should not be shown in credit side of the statement, but to be treated as minus debit and to be shown in debit side only.</p> <p>14. Total of the two sides must tally, taking into account the Closing Balance.</p> <p><b>Checks on explanatory Notes.</b></p> <p>1. Whether Explanatory notes have been given to bring out how far the balances under each head agree with those shown in the separate register or other accounts maintained in the Accounts Office/Departmental Offices for the purpose? Further, how far the balances are correct and accepted by the Departmental officers concerned it is to be checked.</p> <p>2. In explanatory note it is to be mentioned that figures shown in this statement corresponds to Statement – 16.</p> <p>3. Whether difference between Ledger Figure and the Broadsheet figures, for some significant items, have been shown?</p> <p>4. Instances where verification and</p> |
|--|---|

|  |  |
|--|--|
|  | <p>acceptance of balances are pending are to be listed out in Appendix – II.</p> <p>5. Adjustments consequent on the reorganizations of the States, which are still to be effected, need to be indicated.</p> <p><b>Checks on footnotes.</b></p> <p>It may be checked whether relevant footnotes have been given in respect of following items.</p> <ol style="list-style-type: none"><li>1. Debt Relief received from M/O Finance.</li><li>2. Variation in Opening Balance of current year with reference to previous year's Closing Balance due proforma correction.</li><li>3. Deviation, if any, by the government, in classifying revenue receipts/revenue expenditure under capital section.</li></ol> |
|--|--|

**Statement – 9:** **Statement of Revenue and expenditure for the year expressed as a percentage of total revenue/total expenditure (in Rupees in lakh)**

**Salient features:** It is the Statement of Revenue Receipt and Revenue expenditure under different heads in absolute amount and as percentage total Revenue Receipts and total Revenue Expenditure.

**Source Data:** Civil Accounts for March (Sup).

**Link statements:** Statements – 1, 11 and 12.

| <b>Contents</b>   | <b>Audit Checks</b>  |
|---|--|
| <b>Comparison of Revenue Receipts and revenue expenditure</b><br><br>Sector – wise Revenue Receipt and Revenue expenditure as percentage of total revenue/total expenditure | <b>General Checks.</b><br><br>1. Whether the figures of revenue Receipts and Revenue expenditure agree with the figures statements – 1, 11 & 12?<br>2. Whether percentage of current year's revenue and expenditure as percentage to total revenue and to expenditure are correct?<br>3. Rounding off of percentage should be checked carefully to ensure that total of percentage figures works out to 100. |

**Statement – 10:** **Statement showing the Distribution between charged and voted expenditure (Rupees in thousand)**

**Salient features:** This statement indicates distribution of fund between charged and voted expenditure during the current year.

**Source Data:** Civil accounts for March (Sup), consolidated abstracts of functional major heads.

**Link statements:** Statements 12, 13, 16, 17 and 18.

| <b>Contents</b>  | <b>Audit Checks.</b>  |
|--|---|
| <p><b>Voted and charged expenditure</b></p> <ul style="list-style-type: none"> <li>- Expenditure on Revenue head (voted and charged)</li> <li>- Expenditure on capital head (voted and charged)</li> <li>- Public Debt</li> <li>- Loans and Advance</li> </ul> | <p><b>General Checks.</b></p> <ol style="list-style-type: none"> <li>1. Whether revenue expenditure figures of this statement tally with the figures of Statement -12?</li> <li>2. Whether charged and voted figures given in the statement tally with the net figure of charged and voted in the Appropriation Account?</li> <li>3. Whether capital expenditure figures of this statement tally with the figures of Statement – 13?</li> <li>4. Whether the figures posted under public debt are charged figures and agree with the relevant figures of Statement – 16 and 17.</li> <li>5. Loans &amp; advances figures should be verified from Statements – 16 and 18?</li> </ol> <p><b>Checks on footnotes.</b></p> <ol style="list-style-type: none"> <li>1. Whether expenditure met out from contingency fund which remained unrecouped during the year has been indicated through footnote?</li> <li>2. It should be checked whether footnote has been given regarding expenditure met out from contingency fund during previous years but recouped during the current year? (*) Though the expenditure under major head ‘6003 and 6004’ is charged expenditure, it is not indicated accordingly in other relevant statements except this one.</li> </ol> |

**Statement – 11: Detailed Accounts of revenue Receipts and capital Receipts by Minor Heads (Rupees in thousand)**

**Salient features:** This is a minor head-wise detailed statement of Revenue receipts, Capital receipts, Central tax transfer and Grants-in-aid from Central Government.

**Source Data:** Civil accounts for March (Sup), consolidated Abstracts of functional major heads

**Link statements:** Statements – 1 and 16.

| Contents   | Audit Checks  |
|--|---|
| <p><b>Revenue receipts and Grants-in-aid</b></p> <ul style="list-style-type: none"> <li>- Tax Revenue – State taxes and Central taxes both.</li> <li>- Non-tax revenue.</li> <li>- Grants-in-aid and contribution.</li> </ul> <p><b>Capital Receipts.</b></p> <ul style="list-style-type: none"> <li>- Miscellaneous capital receipts only, if any.</li> </ul> | <p>General Checks.</p> <ol style="list-style-type: none"> <li>1. Whether the heads of account shown in the accounts are authorized ones and nomenclature thereof conform to the classification contained in the list of Major and Minor Heads of Accounts?</li> <li>2. Figures shown should be verified from the consolidated abstract of receipt and civil accounts maintained in A&amp;E office.</li> <li>3. Actuals shown under Sector A – Tax Revenue should be the net figure taking into account the refunds under the minor head concerned.</li> <li>4. Under other sectors, the refunds are to be mentioned separately against the specified minor head ‘Deduct Refunds’.</li> <li>5. Figures of Central tax transfer and Grants-in-aid should also be verified with the records maintained in the Book Section of A &amp; E office.</li> <li>6. The share of net proceeds assigned to States should tally with the final sanction issued by the Ministry of Finance (Government of India).</li> <li>7. Figures of Grants-in-aid, from Central Government, should tally with the figures of Grants-in-aid given by different Ministries of government of India.</li> <li>8. Figures of Central tax transfer and Grants-in-aid from Central Government should also be cross examined through the web-site of Ministry of finance, GOI (<a href="http://www.Finmin.nic.in">www.Finmin.nic.in</a>).</li> <li>9. No amount of proceeds transferred to states and Grants-in-aid from Central Government. Should be kept under ‘8658-110- Reserve Bank suspense-Central Accounts Offices’.</li> <li>10. Figures of Central tax transfer and Grants-in-aid from Central Government should tally with the figures shown in</li> </ol> |



|  |  |
|--|--|
|  | <p>Statement-1.</p> <p>11. Whether per contra adjustments have been carried out correctly.</p> <p><b>Checks on footnotes.</b></p> <p>1. Whether Footnotes in respect of minus figures, book transfers and any unadjusted amounts along with notional entries have been given.</p> <p>2. Huge amounts booked under Minor head '800-Other Receipts' is to be reviewed and suitable footnote may be incorporated.</p> <p>3. Abnormal transactions should be investigated and rectified or properly explained in footnote.</p> |
|--|--|

|                          |  |
|--------------------------|--|
| <b>Statement – 12:</b>   | <b>Detailed Account of Expenditure by Minor Heads (Rupees in thousand)</b>   |
| <b>Salient features:</b> | This statement gives minor head wise details of Revenue expenditure and major head wise details of Capital expenditure under Non-plan, Plan, Centrally Sponsored Schemes. Total expenditure of current year is shown separately in this statement. |
| <b>Source Data:</b>      | Civil Account for March (Sup), Consolidated Abstracts of functional major heads.   |
| <b>Link statements:</b>  | Statements 1 and 16.   |

| Contents   | Audit Checks  |
|--|---|
| <p><b>Revenue expenditure and Capital expenditure</b></p> <ul style="list-style-type: none"> <li>- Minor head wise revenue expenditure.</li> <li>- Major head wise capital expenditure.</li> </ul> | <p><b>General Checks.</b></p> <ol style="list-style-type: none"> <li>1. The heads of account shown are authorised ones and the nomenclature thereof conforms to the classification contained in the list of Major and Minor Heads of Accounts.</li> <li>2. Figures shown should be verified with the consolidated abstract of expenditure maintained in A &amp; E office and accounts received from Works and Forest Departments.</li> <li>3. Whether the figures shown under voted/charged and plan/non – plan have been correctly depicted? Charged figure should be shown in bold/italic letters.</li> <li>4. It should be ensured that expenditure met from the contingency fund as advance which remained un-recouped before the close of the year has been excluded.</li> <li>5. It should be ensured that the amount of advance taken in previous year/years and recouped during current year have been included. These figures should be verified with the previous year’s Finance Account also.</li> <li>6. Whether the figures tally with those contained in Appropriation Accounts?</li> <li>7. Per contra adjustments carried out should be checked.</li> <li>8. The figures relating to transfer/contribution to Reserve Funds and expenditure met out of those funds are to be shown distinctly under the relevant minor heads (viz. “797 for transfer/contribution to fund account”</li> </ol> |

|  |  |
|--|--|
|  | <p>and '902/903' for transfer towards meeting the expenditure from the fund account) should tally with those in Statement – 16 if they have been distinctly shown in that Statement.</p> <p>9. Inclusion of Appendix – IV, regarding details of assets created out of grants-in-aid given to Local Bodies by the State Government, is to be ensured.</p> <p>10. Whether figures of capital expenditure tally with those of Statement – 13?</p> <p><b>Checks on footnotes.</b></p> <p>1. Abnormal transaction may be investigated and rectified or properly explained in footnotes.</p> <p>2. Footnotes should be added to explain the transactions, if any, under the head “Transfers to/from Reserve Funds/Deposit Accounts” stating the names of the fund.</p> <p>3. Minus expenditure figures should be explained suitably.</p> <p>4. Suitable footnotes should be given regarding notional book adjustments carried out in the account.</p> <p>5. Suitable footnote about the number of pensioners should be included.</p> <p>6. Suitable footnote should be given in case the Grants-in-aid given to Local Bodies, transfer to Deposit etc., are classified under Capital Section instead of Revenue Section.</p> <p>7. Huge expenditure booked under minor head '800 Other expenditure' is to be reviewed and suitable footnote may be incorporated.</p> |
|--|--|

**Statement – 13 :**        **Detailed Statement of Capital Expenditure during and to the end of the year (Rupees in thousand)**

**Salient Features :**        This statement gives the scheme-wise (minor head level) details of capital expenditure depicting the expenditure for current year along with progressive expenditure at the end of the year. Schemes costing less than Rs.1 crore are clubbed and shown as ‘Other Schemes’. Expenditure under Non-plan, Plan, Centrally Sponsored Schemes and total expenditure of current year are separately shown in this statement. This statement represents the details for the figures given in Statements – 2 and 12.

**Source Data:**            Civil Accounts for March (Sup) consolidated Abstracts of functional major heads.

**Link statements:**        Statements – 1, 2, 12, 14 and 16.

| <b>Contents</b>  | <b>Audit Checks</b>  |
|--|--|
| <p><b>Capital expenditure.</b></p> <p>- Scheme – wise Non-plan, Plan and total expenditure of the current year and expenditure to the end of the current year.</p> | <p><b>General checks</b></p> <ol style="list-style-type: none"> <li>1. The heads of account shown are authorized ones and the nomenclature thereof conform to the classification contained in the list of major and minor heads of accounts.</li> <li>2. Arithmetical checks should be exercised and correctness assured.</li> <li>3. The figures of expenditure during the year under major heads, mentioned in this statement, should agree with those in Statement – 12.</li> <li>4. Figures shown should be verified from the consolidated abstract of expenditure maintained in A &amp; E office and accounts received from works and Forest Departments.</li> <li>5. It should be ensured that expenditure met from the Contingency Fund as advance which remained un-recouped before the close of the year has been excluded. A footnote in this regard has been given.</li> <li>6. The amount of advance taken in previous year/years and recouped during current year should be included. These figures should also be verified with the previous year’s Finance Accounts. Accordingly a footnote has been given.</li> <li>7. Whether the figures tally with those</li> </ol> |

|  |   |
|--|---|
|  | <p>contained in appropriation Accounts?</p> <ol style="list-style-type: none"> <li>8. Wide variations between the revised estimates and actual expenditure (head-wise) which may lead to serious misclassification may be checked.</li> <li>9. The charged and voted figures maybe combined in this Statement.</li> <li>10. The investment figures appearing under minor head '190' across different major heads should tally with the investment figure appearing in Statement – 14 against Statutory corporations, government Companies etc.</li> <li>11. Schemes where progressive Capital Expenditure is less than Rs.1 Crore should be clubbed and shown as “Other Schemes”.</li> </ol> <p><b>Checks on footnotes.</b></p> <ol style="list-style-type: none"> <li>1. Abnormal transactions maybe investigated and rectified or properly explained by footnotes.</li> <li>2. Minus expenditure figures should be explained suitably.</li> <li>3. Suitable footnotes should be given regarding notional book adjustments carried out in the account.</li> <li>4. Suitable footnote should be given in case the Grants-in-aid given to Local Bodies, transfer to Deposit etc., are classified under Capital section instead of Revenue Section.</li> <li>5. Huge expenditure booked under Minor head '800- Other Expenditure' is to be reviewed and suitable footnote may be incorporated.</li> <li>6. Footnotes pertaining to allocation of Capital Outlay should be given wherever necessary.</li> <li>7. Whether the expenditure to the end of the year mentioned in this statement agree with the total of the corresponding figure in the Finance Accounts of the previous year plus the expenditure during the year? Differences, if any, should be suitably explained in footnotes?</li> <li>8. Variations in closing balance due to proforma corrections are to be explained through suitable footnotes.</li> </ol> |
|--|---|

**Statement – 14: Details of investments of Government in statutory Corporations (rupees in thousand).**

**Salient features:** This statement indicates investments made, dividend declared or interest received by the Government, during the year, in/from Statutory Companies, joint – Stock Companies, Government Companies, Co-operative Institutions and Societies etc. It also indicates total investment in these institutions at the end of the current year.

**Source Data:** Consolidated Abstracts, VLC data on Minor head ‘Investment’, material received from the institutions and previous year’s finance Accounts.

**Link statements:** Statements 2 and 13.

| Contents  | Audit Checks  |
|---|---|
| <p><b>Investments</b><br/>- Investment of Government up to the end of current year with year-wise break up.</p> | <p><b>General Checks</b></p> <ol style="list-style-type: none"> <li>1. Investments up to the end of previous year may be given as a consolidated entry and those during the current year may be given distinctly and total struck.</li> <li>2. Whether figures posted are correct and indicate complete picture of Government Investments, Dividend/ Interest received and credited to Government?</li> <li>3. If the dividend received during the current year actually pertains to the earlier years or the dividend declared during the year has not yet been paid to Government the fact may be mentioned in the ‘remarks’ column.</li> <li>4. The ‘remarks’ column may also contain other relevant information e.g. purchase of shares at a discount, reasons for not declaring any dividend, losses incurred by the concerns, transfer of shares by the government to other parties, concerns under liquidation, etc.</li> <li>5. Brief particulars regarding the adverse working results of the institution for the year may be mentioned in the ‘remarks’ column. In the case of continuous losses, the accumulated loss to the end of the year and the first year of loss may also be mentioned.</li> <li>6. In the case of Investments from cash balances and sinking funds, the figures</li> </ol> |

|  |   |
|--|---|
|  | <p>should be reconciled with those mentioned in Statement-4 (under arrangements for amortization) and Statement – 7 (under details of Cash Balance Investment Account).</p> <p>7. The exact and full nomenclature of the institutions may be mentioned.</p> <p><b>Check on footnotes.</b></p> <ol style="list-style-type: none"> <li>1. The year-wise investments upto the last year should agree with the figures shown in the Finance Accounts of the previous year and difference, if any, should be explained in footnotes.</li> <li>2. Proforma corrections carried out on the progressive expenditure should also be indicated in footnotes.</li> <li>3. The product obtained by multiplying the number of shares by the face value of each share should agree with the amount shown as investment. Difference, if any, should be explained in 'remarks' column or in footnotes. The details of bonus shares received may also be indicated in footnotes.</li> <li>4. The amount invested, shown in Statement, is the actual account figure. Current year's figures should agree with the total of the amount of investments booked under the minor head '190-Investment' in Statement – 13 and investments shown in the relevant Grant of Appropriation Accounts. The total, should therefore, tally with total of the amounts of investments booked under the various major heads in Statement – 13 and along with the major head figures as given in Statement – 2. Variation should be explained through suitable footnotes.</li> <li>5. If any institution, mentioned in the previous year, has been omitted this year, reasons thereof should be given in footnotes.</li> <li>6. The total of dividends received should tally with the figures shown in Statement – 11 against major head '0050 – Dividend and Profits'. Difference, if any, should be explained in footnotes.</li> <li>7. Non-availability of details of investments, which could not be included in the statement, is to be indicated in the footnote.</li> <li>8. Whether investments made from Revenue account has been explained in footnote?</li> </ol> |
|--|---|

**Statement – 15:** **Statement showing capital and other expenditure (outside the Revenue accounts) to the end of the year and the principal sources from which the funds were provided for that expenditure (rupees in crore).**

**Salient features:** This statement relates to the capital and other expenditure (outside the revenue account) to the end of the year with principal sources of funds to meet the expenditure. The difference between the progressive receipts and expenditure is explained giving reference to revenue deficit/surplus, cumulative effect of proforma corrections to Opening Balances under capital heads, loans and advances etc. and net result of the transactions of allocation of balances under States Re-organization Act, 1956.

This statement shows progressive expenditure to end of the previous year, expenditure during the year and total progressive expenditure at the end of the current year.

**Source Data:** Civil Accounts for March (Sup) consolidated Abstracts, previous year’s Finance Accounts.

**Link statements:** Statements -1, 2, 4, 8, 13, 16 and 17.

| <b>Contents</b>  | <b>Audit Checks</b>  |
|--|--|
| <p><b>Capital Expenditure and source of funds</b></p> <p>- Capital expenditure and Net Loans and Advance by the Government in crores of rupees upto the end of last year, current year and the end of current year.</p> <p>- Principal source of Public Debt, Contingency Fund, Reserve Fund, Deposit and Advances, Suspense and Miscellaneous Remittances, Cash Balance, Cash Balance Investment etc.</p> | <p><b>General Checks</b></p> <ol style="list-style-type: none"> <li>1. Opening Balance should be verified with the Closing Balance of previous year’s accounts.</li> <li>2. Capital expenditure is depicted against significant components without giving major head codes. Figures must agree with those shown in Statements 2 and 13.</li> <li>3. ‘Net’ of credit and debit balance of Loans and Advances shown in Statement – 16, should be depicted against ‘during the year’ figures.</li> <li>4. In this statement Contingency Fund recoupments are excluded but un-recouped items are included.</li> <li>5. Transfer to Contingency Fund would be ‘Nil’ unless any amount is appropriated to the Contingency Fund from Consolidated Fund by the Legislature to increase the corpus of the fund.</li> <li>6. Contribution from Contingency Fund (Net), Misc. Capital Receipts and contribution from Development and</li> </ol> |



|  |   |
|--|---|
|  | <p>Reserve Funds, if any, should be deducted to get net capital expenditure.</p> <ol style="list-style-type: none"> <li>7. Sources of this expenditure are to be arrived at, indicating principal sources of Funds viz. Internal Debt, Loans and Advances from the Central Government, Small Savings and Provident Funds. The figures should agree with Statement – 4, 8, 16 and 17.</li> <li>7. Other receipts such as Contingency Fund, Reserve Funds, Net balance under Deposits, Civil Advances, Suspense minus Cash Balance Investments figure (deducting major head ‘8673’ figure) and Remittances figures should be checked from Statement – 16.</li> <li>8. Cash Balance and Investments are not to be treated as sources of funds, hence, may be deducted.</li> <li>9. As the figure of major head ‘8680’ (net) is under Government Account, it is to be added (net of major head ‘8680’).</li> <li>10. Difference between progressive capital expenditure and progressive sources of funds should be explained in detail and the item-wise break-up should agree with the difference.</li> </ol> <p><b>Checks on footnotes.</b></p> <ol style="list-style-type: none"> <li>1. Variations in Opening Balance with reference to previous year to be qualified through footnotes.</li> <li>2. Exclusion and inclusion of Contingency Fund figures are to be explained.</li> <li>3. Variations in Opening balance, due to proforma corrections, are to be qualified through Footnotes.</li> </ol> |
|--|---|

**Statement – 16:** **Detailed statement of Receipts, Disbursements and Balances under heads of accounts relating to Debt, Contingency Fund and Public Account (Rupees in thousand).**

**Salient features:** This statement indicates overall detailed transactions of receipts and disbursements together with the Opening and Closing Balances under Debt Deposit and Remittance (DDR) heads.

**Source Data:** Civil Accounts for March, (Sup), Ledger for DDR heads and previous Year’s Finance Accounts.

**Link statements:** Statements – 1, 2, 4, 5,8, 11, 12, 13, 15, 17, 18 and 19.

| Contents   | Audit Checks.   |
|--|---|
| <p><b>Receipts, Disbursements and Balances.</b><br/>Part – I : Consolidated Fund, Receipt Heads, Expenditure Heads (Revenue A/c), Expenditure Heads (Capital A/c)</p> <p>Public Debt</p> <p>Loans and Advances</p> | <p><b>General Checks.</b></p> <ol style="list-style-type: none"> <li>1. Correctness of figures should be ensured.</li> <li>2. Whether heads of accounts are authorized ones and nomenclature thereof conform to the heads of account in the List of Major and Minor Heads of Accounts?</li> <li>3. Whether receipt heads tally with Statements – 1 and 11?</li> <li>4. Whether figure of expenditure heads (Revenue Account) tally with the figures of Statements – 1 and 12?</li> <li>5. Whether figures of expenditure head (Capital Account) tally with the figures of Statements – 2 and 13.</li> <li>6. Figures for the current year only should be shown under major head ‘8680 Miscellaneous Government Accounts’.</li> <li>7. Whether figures of public debt tally with those given in Statements – 1, 4 and 17?</li> <li>8. Whether total receipts as Central loans, during the year, agree with the progressive figure shown in the last sanction order issued by the Ministry of Finance. It is also to be cross checked through the website of Ministry of Finance, GOI (<a href="http://www.finmin.no.in">www.finmin.no.in</a>). Adjustments of prior period loans, if any, are to be indicated.</li> <li>9. Figures should tally with the figures of Detailed Book, Statements – 5 and 18 and relevant heads in Appropriation Accounts.</li> <li>10. Funds transferred to contingency fund, to increase the limit of fund, should be verified with the records maintained in the Book section.</li> </ol> |

|  |   |
|--|---|
| <p>Transfer to Contingency Fund.</p> <p>Part – II Contingency Fund</p> <p>Part – III Public Account: Small saving, Provident fund, Reserve fund, Deposit and Advance, Miscellaneous from suspense and Miscellaneous sector and Remittances and closing cash balance.</p> | <p>11. Figures should be verified with the Contingency Fund register and Detailed Book maintained in the Book section.</p> <p>12. Receipt figures should be those which were spent from advance in last year and recouped in current year whereas disbursement figure should be those spent in current year and remained un-recouped at the close of the year.</p> <p>13. Figures of these sectors should be verified with the figures posted in Detailed Book, suspense Register and other relevant records maintained in A&amp;E office.</p> <p>14 Checks to be exercised for Reserve Funds.</p> <p>a. Whether Contribution/transfer to Reserve fund accounts agrees with the figures shown in the Statement – 12 against the respective functional major heads?</p> <p>b. Whether Central releases under major head ‘1601’ in Statement – 11 agree with the corresponding amounts transferred to Reserve Fund Account?</p> <p>15. Detailed checks for each of the fund account.</p> <p><b>Calamity Relief Fund :</b></p> <p>(a) Adjustment of initial expenditure incurred up to the end of March, under Major head ‘2245’, is to be met out from the fund balance to the extent of availability of funds.</p> <p>(b) Amount of contributions of State and Central are provided in finance Commission’s recommendations and can be given as footnote.</p> <p><b>Other Reserve Funds :</b></p> <p><b>Drainage Cess Fund (major head ‘8235’-minor head ‘200’):</b></p> <p>Provision for contribution to the Fund equivalent to the amount of Cess collected during the previous year, is made under major head ‘2711 – Flood Control and Drainage’. The expenditure initially incurred under major head ‘2711’ is adjusted to the extent of balance available in the Fund. Arithmetical accuracy of these figures should be ensured.</p> <p><b>Sericulture and Development Fund (major head ‘8229’ – minor head ‘106’):</b></p> <p>Procedure is similar to that of drainage Cess Fund.</p> <p><b>Consolidate Sinking Fund (major head ‘8222’):</b></p> |
|--|---|

|  |   |
|--|---|
|  | <p>This Fund is constituted for redemption of Open Market Loans in accordance with the RBI guidelines. State Government has to make provisions, under major head '2048', an amount equal to 1 <i>per cent</i> of the outstanding liability at the end of the previous year towards State's contribution. It may be checked whether the interest on investment out of fund balance is credited to fund account and not under general revenue?</p> <p><b>Central Road Fund (major head '8449' – minor head '103'):</b></p> <p>The grants sanctioned by GOI for Central Road Fund (CRF) to State Government are classified under major head '1601' and an equal amount is transferred to Fund account against the provision made under major head '3054 – Roads and Bridges'. The expenditure initially incurred under major head '5054' is to be met from the Fund account to the extent of available balance. It may be checked whether GOI release agree with the amount of contribution to the Fund.</p> <p>16. Whether Codal provisions, governing the transfer of the entire balance under 'Cash Remittances between treasuries and currency chests' under the major heads '8782' and '8675- Reserve bank Deposits' to '8999-Cash balance – Deposits with Reserve bank', have been observed leaving no balance under the former heads?</p> <p><b>Checks on footnotes.</b></p> <ol style="list-style-type: none"> <li>1. Minus figures should be explained suitably.</li> <li>2. Difference between cash balance according to books of government and that reported by RBI, indication the factors responsible for such difference, may also be mentioned in a suitable footnote.</li> <li>3. Whether any change in suspense figure, due to clearance of suspense, has been explained in footnote?</li> </ol> |
|--|---|

**Statement – 17:**            **Detailed statement of Debt and other Interest Bearing Obligations of Government (Rupees in thousand).**

**Salient Features :**            This is a minor head-wise detailed statement of Public Debt depicting the transactions under ‘E- Public Debt’ and ‘I-Small Savings’. Annexure to this statement consist of the details of market loans bearing interest, market loans not-bearing interest and Loans and Advances from Central Government.

**Source Data:**                Civil Accounts for March (Sup), Consolidated Abstracts, Public Debt Ledger, Market Loans Broadsheets, Ways and Means Advance Register, Over Draft Register.

**Link statements:**            Statements – 1, 4 and 16.

| <b>Contents</b>  | <b>Audit Checks</b>  |
|--|--|
| <p><b>Public Debt</b></p> <ul style="list-style-type: none"> <li>-Minor head-wise Internal Debt of the State Government.</li> <li>- Loans and Advances from the Central Government.</li> <li>- State Provident Funds.</li> <li>- Insurance and Pension Funds.</li> </ul> <p><b>Annexure:</b><br/>Detail of market, loans and Loans and Advance from Central Government with rate of interest, period when reversed, amount of loan, year of final payment, discharge during the year and balance at the close of the year, fresh loans revised during the year are also mentioned.</p> | <p><b>General Checks</b></p> <ol style="list-style-type: none"> <li>1. The Opening Balance shown in this statement should tally with the Closing Balance of the previous year. If not, it should be explained suitably in footnotes.</li> <li>2. Whether grand total and major head-wise figures of public debt agree with the figures of Statements – 4 and 16 respectively?</li> <li>3. It should also be cross-checked with the figures shown in Appropriation Accounts and records maintained in the Book Section.</li> <li>4. Annexure to this Statement includes details of individual loans/bonds under the minor heads below major heads ‘6003-Internal Debt’ of the State Government and ‘6004-Internal Debt’ of the State Government and ‘6004- Internal Debt’ of the State Government and ‘6004- Loans and Advances’ from Central Government.</li> <li>5. In case of Provident Fund maintained by the State Government, the figures should tally with the details submitted by the State Government to A &amp; E office?</li> <li>6. Discharge of loans in current year as shown in the Annexure to the Statement should also be cross- examined with the figures under relevant heads of Appropriation Accounts.</li> </ol> <p><b>Checks on footnotes.</b></p> <ol style="list-style-type: none"> <li>1. Adverse balances should be explained.</li> <li>2. Variations in Opening Balance with</li> </ol> |

|  |   |
|--|---|
|  | <p>reference to previous year due to proforma corrections or otherwise are to be explained suitably.</p> <p>3. Unclaimed matured market loan balances outstanding at the end of the year is to be transferred proforma from Market Loans bearing interest to market Loans not bearing interest and to be explained suitably through footnote.</p> <p>4. Debt Relief/Debt Waiver received and classified under major head '0075' and Interest Relief classified under major head '2049' are to be qualified through footnotes.</p> |
|--|---|

**Statement – 18: Detailed Statement of Loans and Advances by Government (Rupees in thousand)**

**Salient features:** This statement indicates details of Loans and Advances given by the Government (minor head-wise) showing Opening Balance and Closing Balance at the end of the year together with receipts and disbursements during the year. The interest received (major head-wise) by the Government is also exhibited.

Loans and advances may be mentioned individually only when the balances at the end of the year exceed Rs.25 lakh. Other items are included in lump against the head “Other Loans”.

**Source Data:** Civil Accounts for March (sup), Consolidated Abstracts, Loans ledger.

**Link statements:** Statements 1, 5, 11 and 16

| <b>Contents</b>  | <b>Audit Checks</b>  |
|--|--|
| <p><b>Loan disbursement and recovery</b><br/>- Loans and Advances by the State Government for different purposes by minor head-wise.</p> | <p><b>General Checks</b></p> <ol style="list-style-type: none"> <li>1. Expenditure met out from Contingency Fund which remained un-recouped during the year, should be excluded giving a suitable footnote.</li> <li>2. The figures should include expenditure met out of advances taken during the previous year (s) and recouped to the Fund during the current year. Suitable footnotes may be added.</li> <li>3. Disbursements and recoveries during the year should be verified from the consolidated Abstract/detailed book maintained in A&amp;E Office.</li> <li>4. Whether, grand total, sector – wise total and major head-wise total figures of this statement tally with the figures in statements – 1, 5 and 16 respectively?</li> <li>5. The amount of interest received and credited to revenue, shown in the statement, should tally with the figures in Statement - 11 under different minor heads below major head ‘0049- Interest Receipts’.</li> <li>6. Whether statement of details of Loans and Advances during the year for ‘Plan’ purposes have been included or not?</li> <li>7. This Annexure should be checked with Appropriation Account to ascertain its correctness.</li> </ol> <p><b>Checks of footnotes.</b></p> |

|  |   |
|--|---|
|  | <ol style="list-style-type: none"><li>1. Adverse Balances should be explained.</li><li>2. Variations, if any, in Opening Balance with reference to Closing Balance of previous year, due to proforma correction or otherwise, is to be qualified.</li></ol> |
|--|---|



**Statement-19:** **Statement showing the details of Earmarked Balances (Rupees in thousand)**

**Salient Features:** The particulars of earmarked balances relating to Reserve Funds and also the investments made from these balances are indicated in this statement. The statement consists of ‘A-Sinking Funds’ and ‘B-Other Funds’.

**Source Data:** Civil Accounts for March (Sup), Consolidated Abstracts, Ledger for Reserve Fund’.

**Link statements:** Statements - 4, 7 and 16.

| <b>Contents</b>   | <b>Audit Checks</b>   |
|---|---|
| <b>Reserve Funds.</b><br>(a) Reserve Funds bearing interest.<br>(b) Reserve Funds not bearing interest. | <b>General checks.</b><br>1. Opening and Closing balances should tally with the previous year’s accounts. Difference, if any, should be explained suitably in footnote.<br>2. Annexure for (i) sinking fund for amortization of loans and (ii) sinking Fund for depreciation of loans are to be included in this statement. A statement of Sinking Fund investment account should also be included.<br>3. The ‘total’ figure of investment columns (for both Opening and Closing balances) of this statement should tally with the figures shown against investments for Earmarked Funds in Statement – 7.<br>4. The major head-wise figures shown in this statement should tally with the corresponding major head-wise figures appearing in Statement – 16. |

## **Appendices to be included in the Finance Accounts.**

### **Appendix – I**

**Statements showing investment of Government for a period more than three years and Dividend/Interest received there from during these years.**

This appendix is a statement of investments of the Government in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operative Banks/Societies during last three years. Its figures should tally with the figures of Statement – 14.

### **Appendix – II**

**Statement showing items where acceptance of balances is awaited.**

This is an appendix to Statement – 8 representing instances of delayed verification and acceptance of balances, for large amounts by the Departmental Officers.

### **Appendix – III**

**Statements of commitments – List of incomplete Capital Works.**

It is a statement of incomplete Capital Works of the State Government. It is prepared on the basis of information received in accounts Office from different departments. Figures should be verified with the information received from those departments.

### **Appendix – IV**

**Details of assets created out of Grants-in-aid given to Local Bodies by the State Government.**

It is a detail of Grants-in-aid given by the State Government to Local Bodies. Figures should be verified with figures of Grants-in-aid shown under corresponding heads of account in Statement – 12 and 13 and the corresponding figures of Appropriation Accounts.

### **Appendix – V**

**Expenditure on salaries during the year**

- It is a major head-wise detailed statement of salary expenditure, for both, voted and charged separately.
- Salary for Non-Plan, Plan, CSS and their total are to be shown separately for each head of account.
- It is completely based on VLC data.
- Both Revenue and Capital Heads are to be included.
- Only object head 'Salary' is to be considered.

(\*) *Element of other salary components like Wages, Salary of Work-Charged employees, Grants-in-aid given to institutions for disbursement of salaries can be considered for inclusion in the statement or can be qualified through footnotes.*

## **Appendix – VI**

### **Expenditure on subsidies disbursed during the year.**

- It is based on the provision of subsidy in the State Budget and its disbursement during the year.
- It is completely based on VLC data.
- Only detailed head 'Subsidy' is to be considered.

(\*) *Element of other subsidy components which are booked in the accounts as 'Assistance' can also be considered for inclusion in the statement or can be qualified through footnotes.*

## **Appendix – VII**

### **Statement of maturity profile of '6003-Internal debt' of the State Government and '6004-Loans and Advances' from Government of India.**

It should be verified with Statement – 17.

## **Appendix – VIII**

### **Changes in financial Assets of the State Government during the year.**

It should be checked from statements – 16, 17 and 18

### **Audit Checks for Appropriation Accounts.**

Appropriation Accounts is certified by the Audit Office after scrutiny of records maintained by the State Government and Accounts Office. Audit Office, therefore, need to check the following aspects.

- Whether the expenditure shown under each grant is in accordance with the amounts provided in the Appropriation Act for the year?
- Whether the expenditure is within the amounts authorized by the Legislature or is there any case which required regularization? If so, it should be suitably mentioned.
- Whether orders of allotment of funds and re appropriation orders conform to the prescribed rules and regulations?

### **Source documents to be checked**

- (i) Orders of allotment of funds, re-appropriation orders, surrender orders and surrender statement.
- (ii) Consolidated Abstract maintained in the compilation sections.
- (iii) Appropriation Accounts of earlier years.
- (iv) Appropriation Audit Registers maintained in Accounts Office.
- (v) Errata to BE/SE issued by the Finance Department.

### **Audit of Sanctions**

While scrutinizing orders of allotment and re-appropriation orders following points are to be checked.

Whether orders of allotment of funds and re-appropriation orders scrutinized to ensure that:

1. These have been issued by a competent authority;
2. The allotments made are not in excess of the amounts authorised under the relevant Grant or Appropriation;
3. The amount appropriated is available under the unit from which it is allotted;
4. Amounts re-appropriated are not intended for meeting expenditure on 'New Service' or a 'New instrument of Service'.
5. No amount has been re-appropriated from the Grant or Appropriation to another Grant or Appropriation;
6. No amount has been re-appropriated from the 'Charged' Section to the 'Voted' Section and vice-versa;
7. No amount has been re-appropriated from Revenue to Capital and vice-versa;
8. Funds provided under 'Plan' heads have not been re-appropriated to 'Non-plan' heads without the prior consent of the Finance Ministry/Department;

9. Whether there are instances of unnecessary and injudicious re-appropriation of funds and surrender of funds;
10. Whether a comprehensive review of budgetary procedure has been followed and the expenditure control exercised by the departments; and
11. When large fund are provided by re-appropriation, it should be examined to ascertain, whether the provision relates to a 'New Service' and if so, the Public Accounts Committee (PAC) should be briefed and suitable guidelines issued in the matter.

**Review of variations.**

1. Whether instance of unnecessary and injudicious re-appropriation of funds and surrender of funds based on a study of the trends of actual expenditures and the reasons furnished by the departments for abnormal variations in the Appropriation Accounts probed in detail by scrutinizing the departmental files.
2. Whether a comprehensive review of the budgetary procedure followed and the expenditure control exercised in respect of five to ten Grants every year conducted. The Grants for such review should be selected on the basis of persistent savings disclosed in past Appropriation Accounts.
3. Whether the provisions made in the budget/supplementary demands were based on concrete or firm proposals for the speedy implementation of the schemes.
4. Whether the reasons for excesses and savings in at least two departments where substantial excess expenditure or savings might have taken place examined and appropriate comments based on the results of the examination framed. Such detailed appropriation audit should provide an insight not only into the nature and reasons for the excess expenditure or savings in relation to the budgeted grants but also focus attention, more importantly, on the control failures and deficiencies, delays in decision-making etc. that might have facilitated the excesses/savings and on the failure of superior authorities to detect and rectify them.

**Audit checks on Draft Appropriation Accounts.**

1. Whether the number and nomenclature of the Grant/Appropriation have been mentioned correctly?
2. The heads of account mentioned in the Accounts are authorized ones.
3. Whether the Original/Supplementary provision of each Grant are confirmed with the appropriation act and surrender figures confirmed with the surrender statement issued by the State Government.
4. Whether the Original provision, Supplementary Provision and amounts re-appropriated or Surrendered have been captured correctly in VLC against each primary unit of classifications.

5. Whether gross figures of expenditure have been adopted in cases where recoveries by debit to heads of account under a different Grant/Appropriation are adjusted in reduction of expenditure.
6. Whether a note regarding the expenditure incurred under Contingency Fund during the year which has not been recouped and kept outside the Consolidated Fund is made under each section of the grant wherever is required and the figures mentioned there under agree with the figures of Appendix – I.
7. Whether Grants selected for comments at section level and subheads there under are in accordance with the guidelines provided by concerned PAC/Headquarters office.
8. Whether all the cases of defective budgeting worth reporting are included even though there are not in conformity of PAC/Headquarters guidelines.
9. Whether any expenditure is incurred on new schemes during the year not contemplated in the budget. If so, whether it is suitably commented upon.
10. Whether all the comments are formed correctly based on the facts and conveying the correct meaning as desired.
11. Whether the expenditure figures show under Minor head/Subheads are agreed with the figures shown in various statements like 12,13,16,17 etc., of Finance Accounts.
12. Whether the figures shown under Suspense Tables are correctly worked out from the basic accounts, opening balances are correctly carried forward from the previous year and closing balances are correctly arrived at.
13. Whether the balances of various reserve fund figures shown in general comments are correctly depicted and agreed with figures exhibited in the Ledger for DDR heads and finance accounts.
14. Whether the amounts shown in the Grant Summary of Appropriation Accounts agree with those in the individual Appropriation Accounts and grant-wise details of recoveries, and.
15. Whether the expenditure in the Appropriation Accounts with that reflected in the Finance Accounts has been reconciled and worked out correctly in the Grant Summary.
16. Sub-head wise provisions should be verified with provisions made in original and supplementary provisions.
17. Sub-head wise expenditure figures should be verified with the consolidated abstract compiled by A & E office on the basis of monthly account received from treasuries, accounts submitted by Public Works and Forest Divisions.
18. Total of Detailed Appropriation accounts, Summary of Appropriation Accounts Summary of Summarized Appropriation Accounts should be checked and ascertained.
19. Date, period and amount of surrender of fund should be mentioned clearly.

20. Grant wise excessive supplementary provision than the required fund should be mentioned, where supplementary provision made more than requirement.
21. Grant wise unnecessary provision of Supplementary provision should be mentioned where supplementary provisions were made in spite of sufficient original provisions.
22. Savings not surrendered by the departments and got lapsed should be mentioned clearly.
23. All the savings and excesses more than 10 *per cent* of the provision and the minimum limit fixed should be mentioned in the summarized account.
24. Reasons as given by the departments are mentioned clearly and separately under each Sub-head of accounts.
25. Expenditure met from Advances from Contingency Fund should not be included in the body of the Appropriation Accounts. A suitable note should be given below the Appropriation Accounts of the grant concerned indicating expenditure met from contingency fund against advances not reimbursed to the fund during the year.
26. The basis of adjustment of interest on Provident Fund in the Government Account by the Accountant General (A&E) should be verified while checking the Appropriation Accounts and in case of any defective budgeting in the “Interest Appropriation” should be reported to the head quarter’s office.

*Note: Starred points in italics represent recommendations of the Committee.*

**PART II**  
**HIGHER AUDIT**

**CHAPTER IX**

**GENERAL**

**9.01** Higher Audit Cell was functioning with effect from 19.8.1977 as part of EPA (HQ) Section. From April 1988 onwards, the Higher Audit Section has been functioning as an independent section. The work relating to 'guarantees' which was attended to by Special Cell (HQrs) was also transferred to this Section from 1<sup>st</sup> April 1988. Higher Audit Section merged with FAA Section w.e.f 1.1.2010 which is under the direct control of the Principal Accountant General (C&CA).

*(AG's orders dated 22.3.88 - file Rep.1/Genl/1987-88 and OO No. 30 dated 7.1.2010)*

**9.02** Important and general matters to be dealt with by the Higher Audit Wing of FAA Section are as under.

**General**

- (1) Audit of expenditure with reference to financial propriety.
- (2) Suggestions designed to prevent extravagance in expenditure.
- (3) Periodical review of sanctions having a long period of currency and sanctions of a permanent nature and sanctions issued in relaxation of Rules.
- (4) Review of guarantees given by Government.
- (5) Periodical review of expenditure from discretionary grants of Governors, Ministers etc.

**Traveling Allowance Bills**

- (6) Scrutiny of traveling allowance bills of Ministers, Secretaries to Government, Heads of Departments and others who are their own controlling officers.
- (7) Foreign travel claims of Ministers, Government officers etc.

**Revenue and Receipts**

- (8) Scrutiny of contributions recovered for services rendered with the objective of suggesting their enhancement in cases where there has



been an increase in the cost of the services since the rates of contributions were fixed or last revised.

- (9) Suggestions designed to increase revenues.

#### **Other important matters**

- (10) Examination of Administrative Reports of Government Departments.
- (11) Scrutiny of orders delegating financial authority.
- (12) Investigation of serious financial irregularities including frauds and embezzlements with a view to suggesting improved methods for their prevention or quicker detection in future.
- (13) Study of the State Government's Budgets, Financial Statements and Plan documents to devise adequate auditing and accounting arrangements for new schemes.
- (14) Scrutiny of reports of official committees having a financial bearing.
- (15) Scrutiny of monies kept outside Government accounts in personal ledger accounts, deposits etc. the justification there of and utilization of such funds.

#### **9.03 Responsibilities of Audit Sections in connection with Higher Audit work**

The functioning of a separate Higher Audit Wing in FAA Section in no way relieves the other Audit sections of their responsibilities in relation to the normal functions of audit. Audit Officers (Branch officers) and AAOs in charge of other Audit sections should see that the requirements of higher audit are kept in view during the course of the work. Normally those audit Sections may pursue the requirements of higher audit themselves. Only cases that require much extra work and special investigation are to be reported for Higher Audit.

**9.04** All important cases detected either in Central Audit or Local Audit and Inspection should be examined by the Higher Audit Wing with reference to Government files, if necessary, before raising an audit query.

*[Paragraphs 2.2.11 of MSO (Audit)]*

#### **9.05 Need for utmost secrecy in conducting Higher Audit**

It is essential that cases investigated by Higher Audit are dealt with in utmost secrecy. The instructions laid down for dealing with secret documents are to be scrupulously observed by all numbers of the staff.

## **CHAPTER X**

### **HIGHER AUDIT**

#### **10.01. Procedure for referring cases for investigation by Higher Audit Wing**

While conducting the routine checks, the audit section may come across cases in which the standards of financial propriety have been transgressed or where there is scope for fruitful research or detailed scrutiny from the higher audit point of view or cases which involve sanctions for big projects or Government trading schemes, or other enterprises. Such cases are to be thoroughly examined first by the concerned audit sections. The section is required to record a definite reasoned opinion and specify if possible, the aspects of the case which require particular examination by Higher Audit. The cases are then to be transferred to FAA section, complete with all connected files after obtaining orders of the Group Supervisory Officer and the Principal Accountant General (C&CA). The cases so referred will be dealt with by taking orders of the Principal Accountant General at appropriate stages. An illustrative list of cases which are to be referred for Higher Audit is as under.

#### **Types of cases to be brought to the notice for Higher Audit**

- (a) Cases in which any one of the accepted principles of financial administration is infringed.
- (b) Attempts to evade Financial Rules by manipulation of vouchers or accounts.
- (c) Splitting up of expenditure into a number of items to avoid the sanction of higher authority.
- (d) Cases in which correct information is withheld from the audit office.
- (e) Persistent neglect or refusal to comply with audit requirements, rush of expenditure or hurried payments in March.
- (f) Orders sanctioning write-off of pay and allowances to Government servants, ex-gratia payments to contractors etc.
- (h) Cases of grants to private bodies etc. on an adhoc basis.
- (i) Cases of relaxation of rules, where the power to relax the rules is not vested with the sanctioning authority under the rules.

- (j) Cases of accounts in which irregularities are frequently noticed and where there is a reasonable suspicion that the disbursing officers are not paying proper attention to their financial responsibilities.
- (k) Cases in which extravagance is suspected and the amount involved is not insignificant.
- (l) Proposals suggesting economy in expenditure when large sums are to be spent on an undertaking.
- (m) Proposals for investigating particular cases of irregularity and suggesting remedial measures.
- (n) Any proposals that may tend to increase or help the development of revenue or give a clue to a new source of income.
- (o) Cases of delegation of financial powers

*[Paragraph 2.2.30 of M.S.O (Audit)]*

#### **10.02 Register of cases**

The Section should maintain a Register of cases containing the columns and arranged in sections as shown below :-

##### **Columns of the register**

1. Serial number of the case.
2. Date of orders of the Principal Accountant General (C&CA) for investigation.
3. Name of the section from which the case has originated.
4. Subject matter of the case with a brief history.
5. Principal Accountant General's orders on the investigation by the H.A wing.
6. Progress in respect of the case where ordered by the Principal Accountant General (C&CA) to be pursued.
7. Final decision.
8. Remarks.

**10.03** The Register should be submitted to the Principal Accountant General (C&CA) half yearly on the 15<sup>th</sup> of April and October.

#### **10.04. Method of investigation**

In dealing with every case coming up for higher audit scrutiny, the primary object is to see that there has been no extravagance, waste or unsound financial procedure. The loss in one case may be due to Government assuming certain liabilities which are not legitimately theirs. In another case, it may be due to unsound or irregular investment. Wasteful expenditure may occur in the absence of proper planning and fore-thought before a scheme is launched or it may be the result of entering into agreement which is either defective or worded ambiguously so as to give unilateral benefit to the contractor. Government may also incur infructuous expenditure, by sanctioning payment in relaxation of the rules or inadmissible under the rules or by non-enforcement of the terms of a contract entered into. Every case is to be investigated after a full appreciation of the circumstances leading up to it. Individual cases of important financial irregularities will be found in the Audit Reports on the accounts of the States and the Central Government published from time to time. The digest of important and interesting cases received from the office of the C&AG also contains valuable information. The Higher Audit staff may, with advantage, make careful study of all these documents and they may be taken as a guide for common types of irregularities that occur generally.

The C&AG is required to be kept fully informed of the results of and freely consulted in regard to important cases dealt with and investigations conducted by the Higher Audit staff.

#### **10.05 Pursuance of objection raised in Higher Audit**

All important cases whether originating from Central Audit or Local Audit and Inspection are to be examined by the Higher Audit staff with reference to Governments files, if necessary, before query is raised by Audit. In regard to audit of rates paid for work done and supplies made, in addition to other enquiries, the assistance of the Finance Department is to be obtained in getting reliable schedules of rates and other necessary information.

*[Paragraphs 2.2.10 and 2.2.11 of M.S.O (Audit)]*

**10.06** The objections, remarks, suggestions etc. arising out of higher audit are to be taken up only under the orders of the Principal Accountant General (C&CA).

Such actions in respect of transactions of the Union Government are ordinarily referred to the Comptroller and Auditor General of India for being taken up with the Ministry concerned. Routine enquiries and call for facts, statistics etc. may be made from the Administrative Departments concerned. In every case, care is to be taken to see that the language used in communicating the objection is always courteous and impersonal. The remarks may be so worked as to contain no insinuations. Suggestions are not to be passed after initial rejection by Government. If the orders of government are not satisfactory or if the question raised is of such importance as to make it advisable to keep the Legislature informed of it, inclusion of suitable paragraphs in the Audit Report can be considered at the appropriate stage. If, on the other hand, the explanations received are considered satisfactory, the objection may be withdrawn under the orders of the Principal Accountant General (C&CA).

## **CHAPTER – XI**

### **SCRUTINY OF RULES AND ORDERS**

**11.01** All rules and standing orders of a financial character issued by State Governments or by authorities subordinate to them should be scrutinized finally by the Principal Accountant General/ Accountant General of the state concerned.

*[Paragraph 2.2.7 of M.S.O (Audit)]*

**11.02** The Constitution of India prescribes the various authorities competent to make Laws, Rules and Regulations, and issue directions. It contains provisions regulating public finance, the procedures and policies to be adopted by the Government for taxation, acquisition of properties, issues from the exchequer etc. The Constitution also prescribes the terms and conditions of services of some of the important officials such as Governors, Ministers, High Court Judges and others.

The general principles for conducting audit against Rules and Regulations are laid down in paragraphs 2.2.26 to 2.2.33 of the Manual of Standing Orders (Audit), Second Edition 2002.

#### **11.03 Scrutiny of powers of delegation**

All orders of delegation of financial authority should be scrutinized carefully because audit of sanctions as well as of expenditure or other transactions may be conducted against these orders for an indefinite length of time, once these have been accepted. Hence they should be submitted for formal acceptance by the Principal Accountant General (C&CA) before they are admitted in audit.

**11.04** The Principal Accountant General (C&CA) may, however delegate the above powers to the Deputy Accountant General, provided that all orders of delegation are scrutinized in the H.A wing. The Deputy Accountant General should obtain the orders of the Principal Accountant General in cases presenting special features. In cases where some power has been delegated to a head of department or a subordinate authority with reference to some broad policy, such as the delegation of financial power Rules 1978 and if there is no doubt or ambiguity or objectionable features in the delegation order, the Audit Section concerned need not refer the case to the H.A wing for further scrutiny, but can accept the order with the approval of the DAG/PAG. Doubtful and difficult cases

which involve more than one section should, however, be referred to the H.A. wing for further scrutiny.

**11.05** Once an order of delegation of financial powers has been accepted at the level of the DAG/PAG, the orders extending the period of validity of such powers may be accepted at the Branch officer's level. However, cases presenting any special features of cases where the Branch Officer feels any doubt may be submitted to the Deputy Accountant General/ Principal Accountant General for orders.

*[Paragraph 2.2.30 of M.S.O (Audit)]*

**11.06** No audit objection can be taken in certain cases to the terms of an order of delegation or other financial rule. However, some of such orders could seriously impair the efficacy of financial control. For instance, the principle of authorizing disbursing officers themselves to sanction special charges may be carried too far or extended to cases in which some sort of control by a higher authority appears advisable. If such cases are important a suitable representation may be made to the Finance Ministry or Department and thus give the latter the opportunity of reviewing the relevant orders.

*[Paragraph 2.2.31 of M.S.O (Audit)]*

**11.07.** The orders of delegation are to be examined to see that:

- (1) the delegating authority is competent to issue the orders.
- (2) the orders of delegation are worded correctly, clearly and in unambiguous terms.
- (3) the authority to whom the powers are delegated may be expected to use them in a responsible manner and is not likely to abuse the powers (e.g. the powers of a head of department to countersign travelling allowance bills of subordinate officers are not delegated to his assistant who may be of a lower status than the officers whose bills have to be countersigned).
- (4) Powers of a technical nature such as sanction for technical estimates of works, selection of tenders for construction of works or purchase of machinery, scientific stores etc. are not delegated to an authority who has not the necessary technical qualification and experience.
- (5) Powers which are normally vested exclusively with the Finance Department (e.g. power to sanction re-appropriations between minor



heads, sanction to expenditure from the Contingency fund etc.) are not delegated to any lower authority and

- (6) The delegation is not likely to result in the loss of efficiency of control over expenditure or in extravagance or so allow a departure from the general principles or procedure laid down by Government for local purchase of stores etc.

**11.08** The section is required to conduct a review of the sanctions received from the audit sections listing out the sanctions in the proforma given below:-

**Statement of sanctions of delegation of powers received during the Half year**

| Sl.No. | Page No. in guard file | G.O No. & date (Dept) | Powers delegated | Whether accepted or not | Remarks |
|--------|------------------------|-----------------------|------------------|-------------------------|---------|
| 1      | 2                      | 3                     | 4                | 5                       | 6       |
|        |                        |                       |                  |                         |         |

A brief note, indicating the special features, if any, deserving special action on the sanctions reviewed, is to be submitted to the Principal Accountant General (C&CA) half yearly for orders. The Half yearly review is due to be submitted to Principal Accountant General (C&CA) on 1<sup>st</sup> April and 1<sup>st</sup> October.

(O.O.HQ Cell/I/2-16/09-10 dt.22.4.09)

**11.09 Scrutiny of Administration Reports of Government Departments**

The Administration Reports of government Departments contain *inter alia* the activities, physical progress, statistics of revenue and expenditure etc. of the respective departments. The scrutiny of these Reports with special attention on the working of the financial and social aspects of the departments is an important function of Higher Audit.

**11.10** Arrangements are to be made with the appropriate authorities for the regular supply of all the administration and other reports of Government departments published periodically.

A register in form HA-I may be maintained for watching the receipt of the reports. Non-receipt of the report from the departments is to be brought to the

notice of the Department concerned. The register is to be closed monthly, and put up to the B.O. on the 20<sup>th</sup>.

A synopsis of important points, if any, requiring investigation from higher audit point of view may be noted in the register in respect of each report. The results of investigation conducted may also be noted in the register.

**11.11** The reports are to be generally scrutinized to see that expenditure incurred is correlated to the objectives of the departments concerned. It is also to be seen that the departments have not embarked on schemes which are either wasteful or unremunerative or which are not authorized by specific or implied approval of the Legislature. The results achieved by the departments may be analysed to see whether they could have been achieved by more economical and efficient methods. It is also to be seen that the departments have not left important sources of revenue to Government unexplored.

**11.12** During the course of the scrutiny it is to be specially seen that adequate machinery exists in each department for internal accounting and audit. This is all the more important in the case of departments where large schemes are in operation. If any of the schemes relates to State trading or manufacture, the desirability of assessing the results by preparation of proforma accounts is to be considered and suitable suggestions made to Government.

**11.13** If any comparative year-wise statistics of revenue collected, expenditure incurred, etc. are given in any of the Reports, it may be seen whether there have been any marked deviations from normal conditions and if any such deviation exists, whether sufficient and plausible reasons for them are given in the reports.

**11.14** The remarks, if any, on the accuracy of the figures, statements, facts, etc. mentioned in the Reports are to be communicated to Government.

**11.15** If any scheme is found worthy of detailed review by EPA wing, a note should be sent to EPA (HQ) section with all details.

**11.16** Revised instructions and revised format has been prescribed by Government in Circular No.91793/AR/2007/GAD dt.12.12.2008. Details are given in Annexure.

### **11.17 Investigation of serious financial irregularity**

The term 'Financial Irregularity' covers a variety of cases in which the transactions may not be considered exactly as regular. A particular irregularity may only be theoretical or technical one and such irregularities may, in many cases be rectified by formal orders of regularization issued by competent authority. There may be more serious types of irregularities such as considerable overpayments, uneconomical purchase of stores, loss of public money due to fraud, embezzlement, theft etc. writes off of sums due to government and investment of Government funds in unremunerative schemes. Each case has to be investigated mainly with a view to seeing whether the irregularity could have been avoided and whether adequate steps have been taken to avoid the recurrence of such irregularities in future. Audit comments are to be based on facts disclosed from accounts and not on presumptions and inferences.

**11.18** If in any case it is considered that a more thorough investigation is necessary with reference to local records, orders of the PAG/DAG are required to be obtained for getting the assistance of an inspection party or for sending a special party. The lines on which the local investigation is to be carried out may, as far as possible, be settled in advance under the orders of the PAG/DAG.

### **11.19 Review of sanctions of permanent nature**

Paragraph 2.2.42 of M.S.O (Audit) requires that sanctions having a long period of currency as well as sanctions of a permanent nature are to be reviewed periodically. The purpose of this review is to ascertain whether the circumstances under which the sanction was originally accorded have undergone any change and whether continued operation of the sanction is justified in the changed circumstances. For instance, a sanction for annual grant to a local body for improving the sanitation in a particular area is likely to be acted upon even after the sanitation has been improved to the normal standard and therefore the local body may not have the need for extra aid from the government for this purpose. The review of each case may be conducted by comparing the circumstances under which the sanction was issued with those obtaining after a reasonable period. With this object in view, the audit sections should bring to the notice of the Higher Audit, cases of all permanent sanctions for special or casual establishments, allowances, contingencies, grants-in-aid contribution, etc which

have been in operation for more than 5 years. The original sanction is to be traced out or obtained in each case and examined before it is referred to H.A for investigation. If on investigation it is decided that a review of the original sanction is necessary, the sanctioning authority is to be addressed. A record of the cases in which the sanctioning authority is required to review the necessity of continuance of the sanction is to be kept in Form HA 2. The register is to be closed half yearly on 15<sup>th</sup> January and 15<sup>th</sup> July.

#### **11.20 Scrutiny of sanctions issued in relaxation of rules**

All sanctions involving relaxation of rules are to be scrutinized by the Audit sections concerned and admitted after obtaining necessary clarification, if any, from the government. All cases involving stipulated monetary value or those representing peculiar features are to be referred to Higher Audit with remarks of the audit section. The details of sanctions finally admitted in audit by the audit sections are required to be furnished to the Higher Audit wing functioning in FAA Section which will conduct a periodical review of sanctions issued in relaxation of rules. The object of this review is to see whether there is any tendency to relax the rules in a large number of cases.

All cases of relaxation of rules communicated/referred for Higher Audit will be entered in a register maintained in form HA 3. This register is to be submitted to the PAG half yearly at the end of June and December with a report on the results of review conducted by the section.

*( O.O.H.A.Cell 2-73/57-63/189 date 22.7.1976).*

#### **11.21. Review of investment of Government funds**

FAA Section is responsible for keeping a watch over the investment of funds forming part of Public Account of the State. In doing so, the following should be ensured.

(i) The investments made on account of any regularly constituted sinking or other funds by the Government are of the category authorized by the relevant statutory provisions or the instruments by which the funds are governed. When there are no governing statutory provisions or instruments, proper authority for the investment should be demanded. This principle also applies to the investment of cash balances of the State Government.

(ii) FAA Section should promptly take up with the Government any of the investments which are unauthorized, irregular or unsound.

(iii) Any ascertained losses connected with the investments or unusual depreciation in their market price should be reported to Government along with appropriate comments.

*[Paragraph 3.13.17 of M.S.O (Audit)]*

#### **11.22. Scrutiny of guarantees given by the Government**

The responsibility of audit in relation to guarantees given by the Government under Article 292 and 293 of the constitution has been laid down in paragraphs 3.3.18 and 3.3.19 of the M.S.O (Audit). Copies of Government orders giving guarantees are to be scrutinized by the FAA Section. A Register is to be maintained to note the extracts, leaving separate pages for each institution. The position of guarantees given by Government as at the end of each year as indicated in the Finance Accounts is gathered by AAD Section of the office of the A.G (A & E). Those details are adopted for Audit Report also by the Report (Civil) Section. FAA Section shall call for a statement of outstanding guarantees at the end of each financial year from Finance Department. Letters are also sent to Administrative Departments and institutions having outstanding guarantees to furnish the details in a prescribed format. The Consolidated Statement received from Finance Department is subjected to a critical examination with reference to the information furnished by individual institution. FAA Section should also reconcile the details as per the sectional records with those of A&E Office. Discrepancies and variations noticed should be brought to the notice of Finance Department. Materials necessary for Draft paragraph on guarantees to be included in Audit Report should be given to Report (Civil) Section.

It has been decided that copies of the accounts of the body or authority to which guarantee has been given could be obtained through the concerned government department if considered necessary for the audit of guarantees. Examination of the books of accounts of the concerned bodies would not be in order unless their accounts are subjected to regular audit by the C&AG. If, however any guarantee is discharged by actual payment, the audit of the accounts of the institution can be considered, depending on the nature of the payment and

applicability of various sections of the C&AG's (DPC) Act 1971 with reference to such payments.

*(CAG's Letter No.1165-TAI (RGL) 107-74 dated.6.1.1977)*

**11.23** FAA section is to conduct a critical review of the guarantees made by the Government annually and should submit the results of review to the Principal Accountant General on the 15<sup>th</sup> of April.

**11.24. Suggestions to stop extravagant expenditure**

Audit is responsible to bring to notice cases of wastefulness and infructuous expenditure in public administration [*Paragraph 2.1.6 of M.S.O (Audit)*]. Cases in which expenditure may be considered extravagant or infructuous may be referred to the controlling sections as soon as they come to notice during central or local audit. The controlling sections are to refer the case to Higher Audit, if deemed necessary. FAA section is to examine the cases with reference to the circumstances of each case to see whether.

- (i) There is lacuna in the financial rules, orders and delegations,
- (ii) There has been deliberate evasion of the rules by the department authorities,
- (iii) Supervision and control by the higher authorities have been adequate.
- (iv) There has been lack of planning and co-ordination.
- (v) There has been lack of proper safeguards for government interest by way of defective agreement bonds, omission to obtain security or levy penalties.
- (vi) There has been failure on the part of authorities to take timely action, and
- (vii) There has been absence of comprehensive administrative regulations and procedures.

## CHAPTER – XII

### SCRUTINY OF TRAVELLING AND OTHER ALLOWANCES

#### Section – I

##### 12.01 General

The allowances paid to Government servants are to be regulated in such a way that they are not on the whole, sources of profit to the recipients. It is an important function of Higher Audit to scrutinize all orders sanctioning new types of allowances or increasing the existing rates of allowances to see whether the sanctions are justifiable or whether they are extravagant. Sanctions for payment of fees or honorarium are to be specially examined to see that there are sufficient reasons justifying the grant of extra remuneration to the government servants concerned, having due regard to the conditions mentioned in paragraph 3.2.12 of M.S.O (Audit) and that the amounts of fee or honorarium sanctioned are not out of proportion with the monthly pay of the recipients.

##### 12.02 Scrutiny of Expenditure on Travelling Allowances

Scrutiny of travelling allowance bills of Ministers, Secretaries to Government, Heads of Departments and other senior officers who are their own controlling officers may yield good results from the higher audit point of view. The object of such a scrutiny will be to see whether the claims show any special features which are not noticed in the regular audit.

##### *Paragraph 2.2.9 Annexure – item No.(vi) of M.S.O (Audit)*

It would not be proper on the part of Government officials to claim travelling allowance from Government if the purpose of the journey is not strictly official. Accordingly no travelling allowance can be allowed to an official for journeys for attending functions, ceremonies and receptions although he has been invited to attend it unless he has official work to perform. For example, if there is a function at a particular place in honour of a dignitary for which all heads of departments have been invited as guests, there will be no justification for these officers claiming travelling allowance for the journey undertaken to attend the function notwithstanding the fact they were invited to the function by virtue of

their official position. If, on the other hand, any of them has some specific duty, such as supervision over scrutiny arrangements, maintenance of law and order etc. claims for travelling allowance by such officials would be justifiable.

In the absence of anything to the contrary in the Constitution or Laws made there under, it is to be assumed that the travelling allowance of Ministers is also based on the principle applicable to all Government servants that travelling allowance would be admissible for journeys performed in public interest. The criteria for admitting or rejecting a claim would, therefore be, whether a particular journey was performed wholly in the public interest or as a private business of Minister. It would not be sufficient if a Minister was performing any part of his duties at a place away from his headquarters, to which he may have proceeded for personal reasons. It is necessary that the journey must have been actually necessitated by his duties which he could not perform at headquarters. No travelling allowance would be admissible for journeys performed purely for recreation or for other private purposes. Objections regarding the purpose of a journey in the traveling allowance bill of a Minister are to be raised only under the personal orders of the Principal Accountant General who, if he finds strong reasons for raising the issue will himself address the Minister for elucidation.

The following are few of the special features that may be noticed in some travelling allowance bills and which may provide considerable scope for Higher Audit.

- (i) Regular claims of full mileage for journeys by road between places connected by rail cannot be allowed in the absence of special reasons such as emergency, failure of ordinary communications etc. If saving of public time is given as reason for performing the journeys by the costlier route it may be verified whether the journeys, if performed by the cheaper route would have taken extra time. If it is noticed that any official consistently abuses or misuses his powers of admitting or claiming traveling allowance by the costlier routes, the fact is to be reported to Government along with a statement showing the dates of journeys, the purpose actual traveling allowance claimed and the traveling allowance that would be admissible had the journeys been performed by the cheapest routes. The



data so given are to relate to a fairly long period (three to six months). Such instances are not to be reported unless there are extraordinary features in them.

- (ii) Performance of a number of journeys from headquarters to a number of contiguous places within a short period instead of including all these places in a single tour programme.
- (iii) Tendency to undertake frequent trips to and halts at places of interest such as health resorts and hunting grounds especially on preceding holidays, vacations etc.
- (iv) Breaking up of halts at a single place so as to avoid reduction in the rate of daily allowance for continuous halts in excess of the prescribed limits.
- (v) Tendency to undertake a large number of journeys at the close of the financial year with a view to utilizing in full the grant or provision for travelling allowance.
- (vi) Cases of officials provided with conveyances at Government expense but who instead of utilizing them for their journeys and claiming reduced travelling allowance, claim full mileage on the ground that government conveyances were not available to them.

The results of such scrutiny are to be communicated to Government for necessary action, pointing out *inter alia* the lacuna or defect in the existing rules which facilitated the abuses.

*(Paragraphs 51 to 53 of Hand Manual, First edition, Office of the Comptroller, Travancore-Cochin).*

### **12.03 Scrutiny of sanctions for compensatory allowances**

Audit has to satisfy that sanctions and orders for the grant of special pay, other allowances or concession to Government servants do not conflict with the broad spirit or main principles of the relevant service rules. Paragraph 3.2.12 of M.S.O (Audit) stipulates general conditions that should be kept in mind while auditing sanctions to the grant of compensatory allowances, fee or honoraria to Government servants. All sanctions to special pay compensatory allowance etc. are therefore to be scrutinized carefully with a view to seeing whether there are sufficient reasons for granting them. The following points are to be specially looked into in this regard.

- (i) If any allowance has been sanctioned in consideration of certain special circumstance prevailing at the time of sanction, it is to be periodically verified by audit to see whether the same conditions continue to prevail. If it is considered at any time that the original sanction has to be reviewed, the sanctioning authority may be required to conduct a review with a view to considering the necessity for the continuance of the allowance or at least a reduction in the quantum of the allowance.
- (ii) Whether compensatory allowances in the nature of house rent allowance are allowed for government servants who are provided with either rent free accommodation or accommodation at concessional rates.
- (iii) In respect of conveyance allowance generally granted to an officer for maintaining the prescribed type of conveyance for use in the discharge of his duties, whether (a) the type of conveyance prescribed to be maintained is appropriate to the status of the officer (b) possession of such a conveyance is absolutely essential for the efficient discharge of the duties/work entrusted to the officer (c) the department does not possess suitable conveyance which can be conveniently used by the officer for the performance of his duties.

## **Section II**

### **Other Guidelines**

#### **12.04 Austerity measures in Air Journey**

Ministers, Government officials, and all other officers eligible for air journey including Chief Executives of all State public sector under takings, autonomous institutions under the State Government Boards, Corporations etc. shall perform air journey only in economy class.

*(G.O(P)No.340/2006/Fin dated 14.8.06-File HA Cell/I/2-2)*

#### **12.05 Journey by air on transfer**

All India Service officers who are bound by a separate statutory rule are entitled to travel by air, on transfer if they are otherwise entitled to travel by air while on duty. However, officers bound by the Kerala Service Rules and non- IAS officers who are otherwise entitled to travel by air while on official tour will not be eligible to travel by air on transfer. These officers and members of their family are only entitled to travel by train, while on transfer.

*(Finance(SS) Dept Circular No.5/2006/Fin dt.20.1.2006. File HA cell/I/2-2)*

#### **12.06 Air journeys outside/within the State – travel by Private airlines**

As per G.O(P)No.97/2005/Fin dated 28.2.2005 Secretaries to Government, Heads of Departments, Chief Executives of PSUs, Statutory Corporations, Autonomous Bodies, Apex Co-op Societies (irrespective of the basic pay of the officer) and those officers whose basic pay is Rs.15,000 per month or above can travel outside the State by air, after taking approval of the competent authority. On a reference by audit, the following clarifications were issued.

- (i) Officers permitted to travel by air can travel by air within the state also. Approval of the competent authority should be obtained for travel by air within the State also vide (G.O (P) No.423/2006/Fin. Dated 16.10.2006. The officers can travel and claim reimbursement as they do for other normal journeys within the State.
- (ii) Whenever air journeys are performed, copies of the ticket jacket (showing the cost of ticket) should be attached to the TA bill. If the ticket is arranged through a travel agency or if tax etc. is payable, in

addition to the cost shown on the ticket jacket, the copy of the bill from the agency should also be attached to the TA bill.

(iii) Those officers who are entitled to or are allowed to travel by air can do so even by private airlines so long as the fare is not higher than the published normal fare in the Indian Air lines. There is no need to obtain prior approval from any competent authority for travel by private airlines.

***(G.O(P)No. 35/ 2006/ Fin/ 20.1.2006 & GO(P) No. 423/2006/Fin dated 16.10.2006 File HA cell/I/2.2)***

### **12.07 Entitlement for journey by Train**

The following is the eligibility criteria for journey by train by Government officials of Grade I, II (a) and II(b) on duty.

| <b>Grade</b> | <b>Scale of pay</b>   | <b>Eligibility</b>                                  |
|--------------|---|---|
| Grade I      | Heads of Departments, Private Secretary to Ministers, All India Service Officers and all officers who draw an actual pay of Rs.14,900 and above | II AC   |
| Grade II (a) | Actual pay Rs.12,400 and above but below Rs.14,900  | I Class. If the train does not have I Class, II AC. |
| Grade II (b) | Actual pay Rs.8,000 and above but below Rs.12,400   | III AC. If the train does not have III AC, I Class  |

**Note:** Officers traveling by the next higher class because of non-availability of entitled class in the train, should furnish a certificate to that effect.

***(G.O(P)No.77/2005/Fin dated 10.2.2005. File HA cell/I/2-2 & Pay Revision order GO(P)No. 145/2006/Fin. Dated 25.3.2006)***

## **12.08 Official Residential Telephone**

The maximum number of local calls chargeable to Government account has been enhanced from the present bimonthly limit of 500 on official residential telephones (with or without STD facility) of officers to 750.

*(GO(P)No.161/2005/Fin dated.5.4.2005 File H.A Cell/I/2-2)*

## **12.09 Foreign Tour of Ministers and Secretaries – Expenditure Head**

Travel expenses of Ministers in their official capacity (whether on domestic tour or on foreign tour) are to be met from the provision for travel expenses made under the head of account “2013-00-108-99 Tour Expenses”. Similarly in the case of Secretaries to Government, the travel expenses connected with their official journeys (whether domestic or foreign tour) are to be met from the provision for travel expenses made under the relevant head of account under the Major Heads “2052 General Services” or “2251 Secretariat Social Services” or “3451 Secretariat Economic Services” as the case may be depending on the post held by the Secretary concerned at the time of tour. All departments are to show the correct heads of account while issuing orders authorizing foreign tours.

*(Finance (Expenditure) Department Circular No.19/2006/Fin dated 9.5.2006 File H.A cell/I/2-5)*

**12.10** In circular No. 41/2005/Fin dated 15.7.2005 the Chief Secretary instructed all administrative departments to ensure that the undesirable practice of meeting foreign travel expenses of Ministers and Secretaries by PSUs and Government Autonomous Bodies are not continued and also that the expenses on all such tours are met by debit to the appropriate heads of account, where provision is made in the State budget.

*(File HA cell/I/2-5)*

## **12.11. TA claims on foreign tour of Ministers and officials of State Government**

The following guidelines issued by the State Government at the instance of audit may be kept in view while scrutinizing the above claims.

- (i) For all claims except that of DA, supporting bills and vouchers, duly signed by the Officer/Minister have to be produced. This will include even the taxi charges incurred.
- (ii) Only room rent, official phone calls and taxes thereon will be allowed in the hotel bills. Cost of food including lunch, dinner etc. and expenses incurred for room service, laundry, entertainment, personal calls etc. have to be met by the Minister/Officer, from out of the daily allowance.
- (iii) Hotel bills for accommodation should be signed by the Minister/official etc. undertaking the tour after verifying the accuracy of the claims.
- (iv) The DA rates will be as shown in GO(P)No.474/04/Fin dated 12.10.2004, as revised by the Government of India from time to time. It may be noted that depending on the country, there are only 3 rates, (viz.,) US \$75, US \$56.25 and US \$45 per day. If breakfast is included in the room rent, the Daily Allowance will be reduced by 10%. If all meals are provided free of cost, only 25% of the DA rates shall be admissible.
- (v) Luxury cars should not be hired. Ordinary taxis may be hired whenever required for official purposes. Vouchers should be produced while making the claim.
- (vi) Where tours are cancelled after booking of rooms, the cancellation should be communicated immediately to avoid payment of cancellation charges.
- (vii) Where claims on account of foreign tour are included in regular TA bill, a certificate may be recorded that amounts claimed in the TA Bill have not been claimed from the Indian Embassy/High Commission or paid by the Embassy/High Commission, on behalf of the Minister/Officer etc.
- (viii) These orders will also apply *mutatis mutandis* to officials, functionaries etc. of PSUs, Statutory Corporations autonomous bodies etc.

***(Orders of the Chief Secretary in Finance (Expdr) Department Circular No.5/07/Fin dt.19.1.2007. file HA cell/I/2.5)***

## **CHAPTER XIII**

### **SCRUTINY OF EXPENDITURE ON SUPPLIES, SERVICES, CONTINGENCIES, EXTRA PAYMENTS ETC.**

#### **13.01 General**

The scope of higher audit scrutiny in respect of expenditure on supplies, services, contingencies etc. is generally to examine whether the expenditure is incurred with utmost economy. It is to be particularly seen that the sanctioning authorities and the spending departments exercise sufficient and effective control over such expenditure and that the responsibilities devolving on them under the various rules and regulations have been properly fulfilled.

#### **13.02 Scrutiny of contingent expenditure**

All sanctions of special contingencies are to be generally reviewed by the concerned sections and special features, if any, noticed brought to the notice of Higher Audit for further scrutiny. A few examples of contingent expenditure which are likely to contain such special features are given below:-

- (i) Payment of fees to barristers, pleaders, etc. which appears excessive.
- (ii) Purchase of furniture and other articles at considerable cost for the personal use of high officials or for any office.
- (iii) Purchase of costly instruments, apparatus and equipment which may appear unconnected with any known activities of the department concerned.
- (iv) Purchase of comparatively costlier makes of vehicles when cheaper varieties of the same specifications are available and providing costlier fittings.
- (v) Sanctions for payment of rents to buildings considerably in excess of what is recovered for a similar Government building.
- (vi) Publicity expenses which are prima facie extravagant or appear to benefit a political party.
- (vii) Payment of Municipal and other taxes on Government properties etc. when it may be possible to get statutory exemption from such taxes.

- (viii) Provision of any amenities resulting in appreciable monetary benefits to the Governor, High Court Judges, Speaker, Deputy Speaker, Ministers and other dignitaries who are precluded by the Constitution from deriving any such benefits except with the sanction of the Legislature.

**13.03** It is also to be seen particularly whether monetary limits fixed for the various classes of expenditure, by Government or other authorities, are *prima facie* excessive on a consideration of the size and activities of the departments concerned.

#### **13.04 Scrutiny of recurring charges**

Sanctions to recurring charges are to be scrutinized carefully as expenditure may have to be incurred against them without limitation of time. It may be seen particularly that the rates etc. have been fixed rationally and that adequate arrangements exist for the periodical review of the rates etc. The monthly rent fixed in respect of private buildings occupied by Government every year provides for such a review annually. In the case of electricity and water charges, it is to be ensured that the charges are paid on the basis of actual consumption as recorded by meters and that no surcharge is paid as fine for delayed payments. Where a number of offices are situated contiguous to one another, or in the same compound, it may be possible to obtain water and electricity at concessional rates (“bulk supply rates”), if all the offices are treated as a single unit for this purpose and supplies are received through a single point. This aspect need be considered only if the extra expenditure, if any, to be incurred initially for the change over to “bulk supply rates” system is negligible when compared with ultimate savings which may accrue.

#### **13.05 General scrutiny of ex-gratia payments**

Ex-gratia payments are payments which are not normally admissible under the existing rules but are sanctioned at the discretion of government as an act of grace. Such payments can be made only under special order of government and are to be examined in detail by Higher Audit. The examination is to be directed towards ascertaining any peculiar or extra – ordinary features in the



sanction. Each case will have to be dealt with on its merits. The circumstances under which the payment is sanctioned have to be called for, if the information is not available in the sanction. It is to be particularly seen whether the payment is necessitated by any failure to take necessary action on the part of officers of Government or of negligence on their part.

### **13.06 Scrutiny of expenditure from discretionary grants**

Sometimes lumpsums are placed at the disposal of certain high officials to be spent at their discretion. In scrutinizing discretionary expenditure, audit has to ensure that payments made from these grants do not transgress the principles of financial propriety laid down in para 2.2.47 of M.S.O (Audit). It is also to be seen that the powers for sanctioning expenditure from these grants are not generally delegated to an officer of low rank.

A review of the discretionary grants placed at the disposal of Governor/Chief Minister/Ministers is to be conducted quarterly in April, July, October and January and the results of review are to be submitted to the Principal Accountant General on 5<sup>th</sup> of these months.

*(O.O.TM 1/10-306/47 dated.11.5.1958).*

### **13.07 Comparison of rates for work done or supplies made**

The examination of rates paid for work done and supplies made is an important function of audit. The scrutiny is to be directed towards seeing whether the rates accepted for the work, supplies and services are considerably higher than the rates prevailing in a locality. A comparison of the rates for similar articles supplied to different departments in the same locality may be made and causes for wide variations, if any, in the rates investigated.

**CHAPTER XIV**  
**AUDIT OF RECEIPTS OF GOVERNMENT**

**14.01 General scope of Receipt Audit**

It is the primary responsibility of departmental authorities to see that all revenues or other debts due to Government which have to be brought to account are correctly and properly assessed, realized and credited to government account. The scope of Higher Audit in this direction is to be generally restricted to offering suggestions to Government on the measures which they can take for developing revenue or for avoiding losses in collection and removing any lacuna in control over collection of revenue. It is not the function of Audit to press the government to levy any new tax or to increase the existing rates.

**14.02 Scrutiny of rates of contribution**

Periodical examination of the basis on which contributions are recovered for services rendered by Government is an important function of Higher Audit. The aim of this examination is to suggest an increase in the rates of contribution, where the cost of the services has risen since the rates were fixed last. The circumstances under which the question of the revision in the rates of contribution may be considered in the case of certain types of contributions are indicated below:-

|                             |  |
|-----------------------------|--|
| (i) Leave salary            | Change in the leave rules especially in the rates of leave earned and leave salary payable.  |
| (ii) Pension                | Change in the pension rules involving increase in rates, alteration in the manner of calculation of qualifying service.            |
| (iii) Establishment charges | Increase in the scale of pay, allowances etc.  |
| (iv) Tools and Plant        | Increase in the cost of tools and plant due to general increase in prices and due to the use of more modern and costlier articles. |

**Note:**

The scrutiny of the rates of contributions prescribed above should be undertaken whenever any of the changes mentioned comes to notice.

### **14.03 Scrutiny of Budget**

FAA section should conduct the scrutiny of the Budget and sanctions received from time to time in respect of establishments etc. the cost of which is recoverable from other Government, Local bodies etc. at a fixed amount. The object of this scrutiny is to see that the recoveries actually made are not appreciably less than the actual cost to Government in respect of such establishment etc.

### **14.04 Waiver of contributions**

If the recoveries of any contributions for services rendered are waived in whole or in part by Government the circumstances under which this is done is to be scrutinized in each case to see whether the action is justified. The waiver of such dues from local bodies, private individuals etc is objectionable in principle in as much as it amounts to indirect grants-in-aid which are not recorded as such in accounts and do not come within the purview of the vote of the Legislature. In respect of work done by PWD, the waiving of centage charges may in addition, result in the cost of Government works being inflated to some extent in the pro rate distribution of establishment and Tools and plant changes. In such cases audit is to suggest the sanction of a direct grant-in-aid to the local bodies etc. instead of waiving the recovery of the dues, if the waiver is beyond the limits prescribed by the rules.

**CHAPTER – XV**  
**MISCELLANEOUS**

**15.01 Digest of important and interesting cases noticed in audit**

All sections are required to prepare paragraphs on important cases which may be of interest to other sections/offices, as and when they arise. The paragraphs, after approval by the concerned Branch Officer, should be sent to FAA section along with the concerned files on the subject. The FAA section is to examine each paragraph with reference to the connected files and submit the cases to the Principal Accountant General (C&CA) along with its remarks. The cases which are approved by the Principal Accountant General are to be entered in the “Register of digest of important and interesting cases” to be maintained in the section.

**15.02** In April and October each year digest of important and interesting cases is to be sent to the C&AG for considering the desirability of circulating them among other audit offices. The half yearly digest is to be prepared for the half years ending 30<sup>th</sup> June and 31<sup>st</sup> December and sent to the C&AG so as to reach his office by 7<sup>th</sup> of July and January. In the absence of suitable paragraphs a ‘nil’ report is to be sent invariably on the due dates. It is to be ensured that only those cases on which final views have been formulated and which are of interest to other audit offices are included in the half yearly reports.

Cases accepted by the Comptroller and Auditor General are included in the quarterly Audit Bulletin issued by him, copies of which are furnished to all sections by the General Section.

**15.03 Scrutiny of Gazettes**

On receipt of copies of Gazette of the Government of India and the State Government, FAA Section will examine them with a view to see whether there are any notifications of general character having of financial bearing or which relate to Government of India Act or other codes and regulations and take note of them.

**FORM NO. HA 1**

*(Referred to in para 11.10)*

**Register of Annual Administration Reports received from Departments**

**PART I**

| <b>Sl.No.</b> | <b>Department</b> | <b>Year of Report.</b> |
|---------------|-------------------|------------------------|
|               |                   |                        |

**PART II**

| <b>Sl.No.</b> | <b>Date of receipt</b> | <b>Department</b> | <b>Year of report</b> | <b>Sl. No. of Part I</b> |
|---------------|------------------------|-------------------|-----------------------|--------------------------|
|               |                        |                   |                       |                          |

| <b>Synopsis of important points requiring investigation</b> | <b>Reference to correspondence</b> | <b>Results of investigation</b> | <b>Extracts of final orders</b> |
|---|------------------------------------|---------------------------------|---------------------------------|
|   |                                    |                                 |                                 |

**FORM NO. HA 2**  
*(Referred to in para 11.19)*

**Register of Review of Sanction of a permanent Nature**

| <b>Sl.No.</b> | <b>Section in which the case is dealt with</b> | <b>Nature of the permanent sanction, etc.</b> | <b>Sanctioning authority</b> | <b>Nature of action suggested to the sanctions authority</b> |
|---------------|--|---|------------------------------|--|
| <b>1</b>      | <b>2</b>                                       | <b>3</b>                                      | <b>4</b>                     | <b>5</b>   |
|               |  |   |                              |  |

| <b>Reference to correspondence</b> | <b>Final action taken in the case.</b> | <b>Remarks</b> |
|------------------------------------|--|----------------|
| <b>6</b>                           | <b>7</b>                               | <b>8</b>       |
|                                    |  |                |

**FORM NO. HA 3**  
*(Referred to in para 11.20)*

**Register of Sanction issued in Relaxation of Rules**

| <b>Sl.No.</b> | <b>No &amp; date of G.O</b> | <b>Nature of relaxation</b> | <b>Rule which is relaxed</b> | <b>Amount involved</b> | <b>Remarks</b> |
|---------------|-----------------------------|-----------------------------|------------------------------|------------------------|----------------|
| <b>1</b>      | <b>2</b>                    | <b>3</b>                    | <b>4</b>                     | <b>5</b>               | <b>6</b>       |
|               |                             |                             |                              |                        |                |

**Note of postings of Corrections**

| <b>Sl.No.</b> | <b>Para affected</b> | <b>Date of posting</b> |
|---------------|----------------------|------------------------|
| <b>1</b>      | <b>2</b>             | <b>3</b>               |
|               |                      |                        |

**Annexure**  
*(Referred to in Para 11.16)*

**GOVERNMENT OF KERALA**  
**General Administration (AR) Department**  
**CIRCULAR**

No.91793/AR/2007/GAD. Dated, Thiruvananthapuram, 12<sup>th</sup> December, 2008.

***Sub :- Annual Administration Reports for 2008-2009 – Preparation and  
furnishing of – Instructions and Revised format – Regarding.***

Government have in Circular No.129860/AR/83/GAD dated 14.2.1984 issued instructions for preparation of Administration Reports of Government Departments/Institutions. The format of the Administration Reports was also prescribed in the Circular. It has come to the notice of Government that most of the Government Departments and Institutions are not preparing and furnishing Administration Reports in time. Delay in presentation of Reports ranges from one to five or more years. As such, Administration Reports do not serve the intended purpose of providing essential and useful information in time to Government, Legislature and Audit. It is also found that the presentation of matter is not uniform and the Administration Reports do not give all the necessary information required. Hence Government consider it necessary to issue detailed instructions on the preparation of Administration Reports so that it would serve as a useful tool for appraisal of the functioning of the Department/Institution by all the stakeholders.

2. Since preparation and issue of old Administration Reports serve no useful purpose Government consider dispensing with Administration Reports which are 3 or more years old. All Departments/Institutions should take special efforts to clear the arrears and become current within six months.

3. Administration Reports may be prepared and issued by all Government Departments/Boards/Autonomous bodies/Institutions under the control of Government.



4. All Autonomous bodies, Boards and Institutions under the control of Government are to furnish Administration Reports to the concerned Administrative Departments.

5. All Administration Reports are to be prepared, reviewed, printed and issued within four months from the end of the financial year. An advance and concise Report containing essential information may be prepared by the end of the year for presentation to the Subject Committees during examination of budget proposals.

6. A specific officer (by designation) of each Department/body may be entrusted with the responsibility of preparation and issue of Administration Report.

7. A monitoring system will be established at government level to ensure that Administration Reports are prepared, reviewed and issued in time. Delay would be viewed seriously.

8. The maximum size of the Administration Reports (including appendices of a major Department/body may not exceed 100 pages and a minor department body may not exceed 50 pages.

9. The format of the Administration Reports prescribed in 1984 is hereby revised and published along with this (Annex). This is only a general format and departments/organizations may add other chapters and materials that a considered necessary for an effective presentation of the activities of the department/organization.

10. All the Heads of Departments are directed to furnish one copy each the Administration Report for 2008-09 before 15<sup>th</sup> April, 2009 to the concerned Administrative Departments in the Secretariat under intimation to the General Administration (AR) Department.

11. The Administrative Departments will review the Reports before 15<sup>th</sup> May, 2009 and send 180 printed copies of the Reviewed Report to the Secretary, Legislature Secretariat, Thiruvananthapuram.

12. Printed copies of the Reviewed Report may also be sent to (i) The Principal Accountant General (Audit), Kerala, Thiruvananthapuram, (ii) The Director, Institute of Management in Government, Thiruvananthapuram, (iii) The Indian Institute of Public Administration, Indraprastha Estate, Ring Road, New

Delhi-2 and (iv) The General Administration (AR) Department, Government Secretariat, Thiruvananthapuram.

13. All the Heads of Departments and all the Administrative Departments in Secretariat are requested to adhere strictly to the above time schedule and furnish condonation statements, if circumstances necessitate.

P.J.Thomas,  
Chief Secretary.

To

1. All the Heads of Departments.
2. The Principal Secretaries/Secretaries/Spl. Secretaries to Government.
3. The Additional Secretaries/Joint Secretaries/Deputy Secretaries/Under Secretaries to Government.
4. The Registrar, High court of Kerala, Ernakulam, (With Covering Letter)
5. The Secretary, Legislature Secretariat, Thiruvananthapuram. (with Covering Letter)
6. The Principal Accountant General (Audit), Kerala, Thiruvananthapuram (with Covering letter)
7. All Departments/Sections in the Secretariat (including Law and Finance)

**ANNEXURE**

The following is the general format suggested for Administration Reports of State Government Departments and Organisations. The material may be arranged in distinct chapters under the heading shown. Each chapter may include material relating to matters shown in bullets under suitable sub headings. This format may not be considered exhaustive and additional information considered necessary for an assessment of the functioning of the department/organization may be included under appropriate headings/sub headings. Statistical presentation, wherever necessary, may be included as appendices with cross reference to chapters/paras in the main report. At the beginning of the Administration Report, besides the name of the department, names of Ministers and Secretaries in charge of the department and the Head of Department may also be mentioned.

### **Introduction**

- Brief description of the department/organization, its evolution, the Government Order by which it was established mission, function etc.
- If there are any State/Central laws governing the functioning of the department/organization it may also be specified.
- The organization chart of the department/board/autonomous body/institution.

### **Organizational set up**

- Details of department/organization showing State, regional, district, taluk level formations and institutions under its direct control and offices established outside the State.
- Details of autonomous bodies under the control of the department and their functions.
- Websites, addresses and phone/fax numbers of important offices and functionaries.
- Main functions of various wings within the department/organization.
- Establishments like offices, schools, hospitals, hostels, welfare institutions, laboratories, sales depots, colleges, farms courts, police stations, jails, training centres, check posts etc. set up during the year.
- Officers/institutions wound up/abolished during the year.

### **Human Resources**

- Staff strengths (temporary/permanent) of various cadres and men in position (only numbers)
- Details of employees working on contract/deputation/daily wages/as guests (only numbers)
- Recruitments made during the year (cadre wise numbers) including compassionate appointments.
- Retirements during the year.
- Dismissals/retrenchments during the year.
- Details of posts/personnel transferred to local bodies.
- Personnel sent on deputation.
- Details of posts created/abolished during the year.
- Supernumerary posts operated during the year.
- Consultants engaged during the year.
- Details of training conducted/personnel sent for training (course details and number of personnel only)
- Awards, rewards, certificates etc. for meritorious service.
- Disciplinary proceedings against departmental personnel.

#### **Functioning of the Department**

- Statutory and non-statutory functions of the department/ organization.
- Acts and Rules implemented by the department/organization.
- Statistical presentation of statutory/executive functions like inspections, assessments (tax/non-tax revenues), licenses/permits issued, acquisitions made, cases filed/disposed/pending, raids conducted, contra bands seized etc.
- In respect of service departments statistical presentation on the various services provided, persons covered or benefited etc. to be included.
- Details of trading and manufacturing activities carried out with relevant statistical information.
- Brief description of major schemes implemented.
- Achievements under various schemes/functions (eg. number of beneficiaries for each scheme, assistance disbursed etc)

- Schemes implemented with assistance from Government of India, World Bank, ADB or other sources.
- Schemes implemented through other departments, autonomous bodies or other agencies of Central or State Government.
- Details of contracts for works/purchases exceeding Rs. 10 crore (Rs. 5 crore in respect of small departments) entered into by the department during the year and its position at the end of the year.
- Details of schemes/projects/works remaining incomplete even five years after commencement with reasons.
- Projects undertaken with private participation.
- Work done during the year for other Government Departments, autonomous bodies, local bodies or other agencies out of funds directly deposited by them and expenditure incurred.
- Penal action taken for deficiencies in contract/supply.
- Details of seized vehicles, contrabands etc. lying undisposed.
- Research studies, surveys etc. undertaken during the year.

*(Mention may be made of all major activities of the department/organization with targets, achievements and other relevant information. Wherever possible comparison with previous year is desirable)*

### **Finances**

- Budget provisions/expenditure of the department/organization as a whole and of major plan and non plan schemes with explanation for saving/excess.
  - Expenditure under certain important categories like salary, travel expenses, subsidies, interest, publicity, consultancy etc.
  - Grants/investments/loans given to government companies, statutory boards, local bodies, corporations, autonomous bodies, NGO's etc.
  - Total receipts of the department/organization – receipts under important categories like various taxes, non tax revenue, penalties etc. to be given separately.
- Pensions/ex-gratia granted to various categories.
- Categories of PD/TP/SB accounts operated by the departmental officers and their purposes.

- Details of outstanding AC bills and other advances.
- Advances paid to various Government or other agencies for supplies/works that remained unadjusted at the close of the financial year.
- Arrears of revenue at the beginning and end of the year as per the DCB under various categories (tax, non tax, loans etc.)
- Funds transferred to Local Self governments-General transfer and funds for various Schemes.
- Details of funds received directly by the department/organization either from Government of India or other agencies and expenditure incurred.
- Details of funds kept in special deposits in treasury, bank or PWD.
- Progress in preparation of annual accounts and proforma accounts (where applicable).
- Details of cases of defalcation/losses detected during the year.
- Details of write off of losses or waiver of revenue during the year.
- Progress in departmental reconciliation of accounts.
- Details of deposits received from other departments, autonomous bodies, local bodies, other agencies lying unspent with the department/organization at the end of the year.

#### **Infrastructure**

- Infrastructure facilities like buildings, roads, bridges etc. costing Rs.50 lakh or more created during the year and expenditure incurred.
- Details of infrastructure crated but not used for various reasons.
- Instances of underutilized infrastructure.
- Details of vehicles purchased/disposed of during the year.
- Assets transferred to other agencies during the year.
- Details of machinery, equipments or other assets costing Rs.5 lakh or more purchased during the year.
- Assets damaged or otherwise disposed of during the year.
- Land acquired/purchased during the year.

#### **Departmental publications**

- Manuals, codes prepared and issued during the year.

- Important publications brought out by the department, their prices (if priced), and availability.
- Citizens charter of the department-Give brief details in the body of the Report or give the full charter as an annexure.
- Details of sales made during the year.
- Publications under print.

### **Events**

- Adalats.
- Important campaigns of the department/organization during the year.
- Seminars, conferences, workshops conducted during the year.
- Participation in fairs, exhibitions etc.

### **Implementation of Right to Information Act**

- Name and addresses of public Information Officers, Assistant Public Information Officers as well as Appellate Authorities under the Act.
- Details of cases received, disposed, pending.
- Penalties levied for non supply of information.
- Suo moto disclosures made by the department/organization.
- Details of cases relating to the department/organization pending in appeal with the State Information Commission.

### **Internal Control Systems**

Details of staff used exclusively for internal audit.

- Details of staff used exclusively for internal audit.
- Details of targets/achievement of inspection of offices and follow up action on inspection.
- Details of outstanding paras in the Inspection Reports of Principal Accountant General/Accountant General.
- Audit Committee meetings conducted.
- Details of various monitoring committees set up and brief mention of the activities during the year.

### **Miscellaneous Matters**

- Grievance Redressal Mechanism in the department/organization.
- Implementation of Official Language Act.
- Progress in computerization.

- Social/cultural activities/functions organized during the year.
- Awards/rewards/citations received by the department/organization from external agencies, Government of India, non-Government agencies.
- Details of evaluation/studies of the department/organization by an agency/organization.