

*For internal use in Indian Audit and Accounts Department*

**MANUAL OF  
OUTSIDE AUDIT DEPARTMENT  
FIRST EDITION 2006**

**Issued by: The Office of the Principal Accountant General  
(Audit), Kerala**

**PREFACE**

This is the first edition of the Manual of Outside Audit Department (Civil) compiled after the formation of the Office of the Accountant General (Audit). The Manual is prepared in accordance with the provisions of paragraph 54 of the Manual of Standing Orders (Administration), Volume I of the Comptroller and Auditor General of India. It embraces the general directions and detailed instructions for the efficient performance of the Outside Audit Wing and is intended for the guidance of the members of staff working in local audit. The instructions contained in this Manual are supplementary to those contained in the Codes and Manuals issued by the Comptroller and Auditor General of India and other authorities.

OA(HQ) I Section is responsible for the upkeep of the Manual. The Outside Audit Parties should also scrutinise the relevant portions of the Manual to see whether any amendment is required and if so make necessary suggestions accordingly.

Thiruvananthapuram,  
- 9 - 2006

Sd/-  
**JAYANTA CHATTERJEE,**  
**PRINCIPAL ACCOUNTANT GENERAL**  
**(AUDIT)**

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## CHAPTER 1

### Constitution and Functions

<b>1.01</b>	The Outside Audit Department is constituted for the conduct of local audit and inspection of government offices and institutions maintaining accounts as envisaged under Section-18 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971.								
<b>1.02</b>	<p>The Outside Audit Department is entrusted with the duty of discharging the following functions assigned to the C&amp;AG of India under the provisions of various Sections of the above Act</p> <ol style="list-style-type: none"> <li>i) Inspection and local audit of expenditure in government offices and institutions including pension payments by Public Sector Banks (Sn.13)</li> <li>ii) Local audit of receipts and expenditure of bodies and authorities substantially financed by grants and/ or loans by Government(Sn.14)</li> <li>iii) Scrutiny of procedure by which the sanctioning authorities satisfy themselves as to the fulfilment of the conditions governing specific purpose grants/ loans(Sn.15)</li> <li>iv) Local audit of receipts of the Union or State Governments (Sn.16)</li> <li>v) Local audit of the accounts of stores and stock kept in any office or department of the Union/State Government (Sn-17)</li> <li>vi) Audit of Government Companies under the provisions of the Companies Act 1956 (Sn.19(1))</li> <li>vii) Audit of accounts of Corporations (not being companies) established by law made by Parliament (Sn.19(2))</li> <li>viii) Audit of accounts of Corporations established by law made by the legislature of the State on request by the Governor (Sn .19(3))</li> <li>ix) Audit of accounts of any other body or authority undertaken on the request of the President/Governor (Sn.20(1))</li> <li>x) Audit of the accounts of any other body or authority as empowered by the President/Governor in pursuance of a request made by C&amp;AG (Sn. 20(2))</li> </ol> <p>In addition, local audit of the offices of other State Governments situated within Kerala is also undertaken by this department, on behalf of other Accountants General(Audit), as and when such audit is entrusted by the C&amp;AG of India.</p> <p>(Extracts of Sections 13 to 20 of CAG's (DPC) Act.1971 are given in Annexure I to this chapter)</p>								
<b>1.03</b>	<p>(i) The Out Audit Department is broadly divided into the following wings:-</p> <ol style="list-style-type: none"> <li>1. Outside Audit (Civil)</li> <li>2. Works Audit</li> <li>3. Commercial Audit</li> <li>4. Receipts Audit</li> <li>5. Efficiency –Cum-Performance Audit</li> <li>6. Special Cell.</li> </ol> <p>(ii) The Outside Audit (Civil) Wing consists of two branches, State and Central, the former functioning under Deputy Accountant General (IC) , Thrissur and the latter under Deputy Accountant General (Central), Kochi. These comprise mainly the following units :</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">State</th> <th style="text-align: center;">Central</th> </tr> </thead> <tbody> <tr> <td>1. OA(HQrs) Sections I to IV and DP Cell</td> <td>1. OA(Central, Kochi)</td> </tr> <tr> <td>2. Local Audit Parties</td> <td>2. Concurrent Audit Cochin Port</td> </tr> <tr> <td>3. State Autonomous Bodies</td> <td>3. Central Excise Receipt Audit &amp; Customs</td> </tr> </tbody> </table>	State	Central	1. OA(HQrs) Sections I to IV and DP Cell	1. OA(Central, Kochi)	2. Local Audit Parties	2. Concurrent Audit Cochin Port	3. State Autonomous Bodies	3. Central Excise Receipt Audit & Customs
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		<table border="1"> <tr> <td data-bbox="932 190 1493 226">Receipt Audit HQrs.</td> </tr> <tr> <td data-bbox="932 226 1493 262">4. CERA and CRA Parties</td> </tr> <tr> <td data-bbox="932 262 1493 297">5. Central Autonomous Bodies</td> </tr> <tr> <td data-bbox="932 297 1493 349">6. Audit of accounts of Union &amp; Territory of Lakshadweep.</td> </tr> </table>	Receipt Audit HQrs.	4. CERA and CRA Parties	5. Central Autonomous Bodies	6. Audit of accounts of Union & Territory of Lakshadweep.
Receipt Audit HQrs.						
4. CERA and CRA Parties						
5. Central Autonomous Bodies						
6. Audit of accounts of Union & Territory of Lakshadweep.						
	<p>The audit and inspection of Directorates of Treasuries, District Treasuries and Sub-Treasuries were transferred from Audit wing to A&amp;E wing with effect from 14-1-1992. As per Headquarters Circular No.10-Actts/99 dated 30-12-1999(No.735-AC1/SP III/106-99) and Coordination (Au) Office Order No.2(M)/2000 dated 17-5-2000, the audit and inspection of Directorate/and three regional Directorates of Treasuries is retransferred to Accountant General (Audit).</p> <p>(iii) The works Audit wing under the supervisory charge of Deputy Accountant General (Works) consists of the following units :-</p> <ol style="list-style-type: none"> <li>1. IAU(Works) and DP. Cell</li> <li>2. CAP I to IV</li> <li>3. PW Parties.</li> </ol> <p>(iv) The Commercial Audit Wing under the supervisory charge of the Sr. Deputy Accountant General (Commercial) consists of the following units:-</p> <ol style="list-style-type: none"> <li>1. CA(HQ) Sections I to IV and DP Cell</li> <li>2. Report (Commercial) Section.</li> <li>3. Resident Audit Section, KSRTC</li> <li>4. Electricity Concurrent Audit Sections</li> <li>5. Commercial Audit Parties.</li> </ol> <p>(v) Receipt Audit Wing, as in the case of Outside Audit (Civil) wing consists of two branches, State and Central. The State Receipt Audit and Income Tax Receipt Audit are under the Supervisory charge of Deputy Accountant General (RR) and Customs Receipt Audit Section, Kochi, Central Excise Receipt Audit (HQ) Section, Kochi and Central local audit parties are under the control of Deputy Accountant General (Central).</p> <p>(vi) Efficiency-Cum-Performance Audit Wing comprises the ECPA(HQ) Section and the local audit parties for ECPA. There is a separate Manual for the ECPA Wing.</p>					
1.04	The instructions contained in this Manual deal with the procedures to be followed during the local audit of Civil Offices and audit of records of State Autonomous Bodies by Outside Audit (Civil) Wing.					
1.05	<p><b><u>Special Audits</u></b></p> <p>When a special audit for special reasons is requested by the State Government such as in cases of suspected misappropriation etc. the Accountant General may at his discretion take up the audit, if the case presents special features and requires expert scrutiny by the staff of IA &amp; AD. Any request for special audit is to be examined by the Accountant General on the merits in the light of the investigation carried out by the departmental authorities. The Accountant General is having discretionary powers either for taking up special audit or for disagreeing to the request from the departments for conducting special audit considering the merits of the case</p> <p style="text-align: center;">(CAG's Circular No.633 - CA II/Co-ordn/Circulars/2003-04/55-2004 dated 21-6-2004 -- Approved by Prl. Accountant General on 13-8-2004 ( File OA(HQ)/Gl.4-81/ )</p> <p>These audits are in pursuance of the statutory functions of the Auditor General and the cost thereof falls on the Audit Budget. The question of recovery of cost of audit will arise only when the audit is not the statutory function of the Comptroller and Auditor General . ( Letter No. 1615 Admn. III/232-60 dated 11-8-1960 of the CAG).</p>					
1.06	<p><b><u>Selection of staff for inspection works :</u></b></p> <p>The Comptroller and Auditor General has observed that if inspections are to serve their purpose and maximum value is to be obtained from the expenditure incurred on inspections, the inspection work should be entrusted to</p>					

	<p>pecially trained, competent and intelligent staff who would in addition to exercising the prescribed routine checks, also examine the accounts intelligently and pay due regard to the principles of higher audit. Special attention should, therefore, be given to the selection of staff deputed for inspection work so that it may be ensured that inspections are conducted in a really effective manner.</p> <p>( CAG's letter No. 539-Admn.5.Rep/49 dated 23/3/1950 and No.1063 TA II/222-82 ( General Circular No.66-TA-II/1982 dated 7-9-1982).</p>
<p><b>1.07</b></p>	<p><b>Levy of fee for the audit of the accounts of Non-Government Funds :</b></p> <p>(i) It has been decided by the Government of India, in consultation with the Comptroller and Auditor General of India, that audit charges will be adjusted as follows :</p> <p>a) Where Comptroller and Auditor General is the sole auditor for local body/institution, under any law made by Parliament under Article 149 of the Constitution, charges will be payable in full, unless specifically waived by Government under section VIII of Appendix 3 of Account Code, Volume I.</p> <p>b) Where the audit is super imposed with the local body/institution having its own auditors, i.e. with a view to ensure that the grants or loans by Government have been utilized for the purpose for which they are given, the Comptroller and Auditor General will be acting in the discharge of his statutory functions and the audit will be at Government cost.</p> <p>( Govt. of India, Ministry of Finance ( Department of Expenditure) O.M. No. F.5(7)-s.II(A)56 dated 14/8/1957).</p> <p><b>NOTE :</b></p> <p>a) Where audit is undertaken under Section 19 or Section 20 of CAG's (DPC) Act 1971 and CAG acts as the sole auditor in respect of smaller institutions which are not involved in manufacturing or trading activities, recovery of cost of audit need not be effected if the amount is less than Rs.10,000/- p.a. in each case). (D.O. Letter No.649-Aud.II/143-85 dated 30/4/1985 from Shri. K.S.Sastry, Director of Audit, CAG's Office).</p> <p>b) Where C&amp;AG acts as the sole auditor of autonomous bodies either under Section 19 or under section 20 of the C&amp;AG's (DPC) Act, 1971, cost of audit in respect of ECPA Reviews of these bodies need not be recovered even where cost of audit of accounts of the bodies is recovered. ( C&amp;AG's Letter No. 1741-Audit.II/147-TA-I/75 ( Cir.No. 38 Audit.II/1985 dated 7-11-1983).</p> <p>(ii) In cases where audit fee is recoverable it shall be calculated on the basis of daily rates prescribed from time to time ( except in cases where the rates of fees recoverable are prescribed by law or by rules having the force of law) and according to the method prescribed by the C&amp;AG of India.</p> <p>(iii) Heads of Departments of Indian Audit &amp; Accounts Department have been delegated the power to sanction daily rates of non-government funds due from 1-9-1968, subject to the following conditions :</p> <p>a) The direct charges should be calculated on the basis of average cost of posts involved, and b) The indirect charges should be computed at 125% of the direct charges.</p> <p>( CAG's Letter No.65-Tech.Admn.I(A)/33-65 Vol.II dated 6-1-1969).</p> <p>(iv) The cost of supervision by Audit Officer is included in 125% "indirect charges" calculated on "direct charges" and no separate audit fee in respect of supervision of Audit Officer of the audit party is to be recovered.</p> <p>The daily rates of audit fee should be worked out and approved by the Head of the Department concerned within two months of the revision of the rates of pay and allowances necessitating the revision of the rates. Immediately after the rates are revised and approved, a copy of the orders should be sent to the C&amp;AG's Office to see that there are no wide disparities in the rates approved in different offices.</p> <p>The accuracy of the daily rates of audit fee so calculated should be checked independently by the Internal Test Audit Section of the concerned office before the rates are approved by the Head of the Department. An indication to this effect should be given in the letter communicating the rates to the C&amp;AG's Office.</p>

The accuracy of the daily rates of audit fee approved in each office should also be got checked by the Director of Inspection at the time of inspection of that office and a report to that effect sent to the C&AG's Office after the inspection is over.

( CAG's letter No. 64-TA/33-65 Vol. II dated 6-1-1969).

- (v) Average cost should be calculated in accordance with the instructions contained in Government of India order No.2 below FR 9(31) (Muthuswamy's Compilation of FR and SR Part I , Xth Edition).
- (vi) The instructions in sub-para (v) above apply to the calculation of daily rates of audit fees in respect of audit conducted by peripatetic audit parties of Non-Government funds only.  
(CAG's Lr.No. 206-Audit I/23-85/II dated 31-3-1986 )
- (vii) The daily rates of audit fee for the period from 1-1-2005 approved by the Accountant General (Audit) are given in Annexure II to this chapter. The work of calculation of Audit fee is entrusted to the Deputy Accountant General (Central) who issues periodical circulars revising the rates.
- (viii) To ensure timely recoveries of audit fee a register for watching recovery of cost of audit in Form Sy-338(Form-V) should be maintained. This register should be put up to the Branch Officer every month and to the Group Officer quarterly.  
(CAG;s Lr. No. 510-TA.I(RGL)/7-81 Vol II ( Cir.No.11-TA-83 dated 17/5/1983).
- (ix) An officer other than the officer responsible for maintaining the register for watching recovery of cost of audit should review the register half yearly. Accountant General(Audit) has nominated the following officers for reviewing the registers maintained by the demand raising sections, with a view to pointing out cases of delays in sending demands/revised demands to the concerned bodies or taking effective follow up action for speedy recovery of arrears of audit fee.

	Register maintained by	To be reviewed by
1	OA(HQ) Section	Sr.Audit Officer/Audit Officer, OE Section, Branch Office, Thrissur.

The half yearly reviews should be conducted by the 30<sup>th</sup> September and 31<sup>st</sup> March every year. The results of the reviews should be submitted to the Accountant General. Further action based on the reviews, to be taken by the sections maintaining the registers should be watched by sections of the nominated officers.

(Notes No. Admn.I/4-4/85-86/104 dated 5-9-1985 and No.Admn.I/4-4/87-88 dated 7-8-1987).

### Annexure-I

#### **Extracts of Sections 13 to 20 of the Comptroller and Auditor General's(Duties, Powers and Conditions of Service )Act, 1971**

##### **General Provisions relating to Audit**

13. It shall be the duty of the Comptroller and Auditor General-

- a) to audit all expenditure from the Consolidated Fund of India and of each State and of each Union Territory having a Legislative Assembly 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;
- b) to audit all transactions of the Union and of the State relating to Contingency Funds and Public Accounts;

- c) to audit all trading, manufacturing, profit and loss accounts and balance sheets and other subsidiary accounts kept in any department of the Union or of a State;

and in each case to report on the expenditure transactions or accounts so audited by him.

**Audit of receipts and expenditure of bodies or authorities substantially financed from Union or State Revenues.**

14(1) Where any body or authority is substantially financed by grants or loans from the Consolidated Fund of India or of any State or of any Union Territory having a Legislative Assembly, the Comptroller and Auditor General shall, subject to the provision of any law for the time being in force applicable to the body or authority, as the case may be, audit all receipts and expenditure of that body or authority and to report on the receipts and expenditure audited by him.

*Explanation* – Where the grant or loan to a body or authority from the Consolidated Fund of India or of any State or of any Union Territory having a Legislative Assembly in a financial year is not less than rupees twenty-five lakh and the amount of such grant or loan is not less than seventy five *per cent* of the total expenditure of that body or authority, such body or authority shall be deemed, for the purposes of this sub-section, to be substantially financed by such grants or loans, as the case may be.

(2) Notwithstanding anything contained in sub-section (1) the Comptroller and Auditor General may with the previous approval of the President or the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, audit all receipts and expenditure of any body or of any State or of any Union Territory having Legislative Assembly, as the case may be, in a financial year is not less than rupees one crore.

(3) Where the receipts and expenditure of any body or authority are, by virtue of the fulfilment of the conditions specified in sub-section(1) or sub-section (2), audited by the Comptroller and Auditor General in a financial year, he shall continue to audit the receipts and expenditure of that body or authority for further period of two years notwithstanding that the conditions specified in sub-section (1) or sub-section(2) are not fulfilled during any of the two subsequent years.

**Functions of Comptroller and Auditor General in the case of grants or loans given to the other authorities or bodies.**

15 (1) Where any grant or loan is given for any specific purpose from the Consolidated Fund of India or of any State or of any Union Territory having a Legislative Assembly to any authority or body, not being a foreign State or international organization, the Comptroller and auditor General shall scrutinize the procedures by which the sanctioning authority satisfies itself as to the fulfilment of the conditions subject to which such grants or loans were given and shall for this purpose have right of access, after giving reasonable previous notice, to the books and accounts of that authority or body:

Provided that the President, the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, may, where he is of opinion that it is necessary so to do in the public interest, by order, relieve the Comptroller and Auditor General, after consultation with him, from making any such scrutiny in respect of any body or authority receiving such grant or loan.

(2) Except where he is authorized so to do by the President, the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, the Comptroller and auditor General shall not have, while exercising the powers conferred on him by sub-section(1), right of access to the books and accounts of any Corporation to which any such grant or loan as is referred to in sub-section(1) is given if the law by or under which such Corporation has been established provides for the audit of the accounts of such Corporation by an agency other than the Comptroller and Auditor General:

Provided that no such authorization shall be made except after consultation with the Comptroller and Auditor General and except after giving the concerned Corporation a reasonable opportunity of making

representation with regard to the proposal to give to the Comptroller and Auditor General right of access to its books and accounts.

### **Audit of receipts of Union or of States**

**16.** It shall be the duty of the Comptroller and Auditor General to audit all receipts which are payable into the Consolidated Fund of India and of each State and of each Union Territory having Legislative assembly and to satisfy himself that the rules and procedures in that behalf are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed and to make for this purpose such examination of the accounts as he thinks fit and report thereon.

### **Audit of accounts of stores and stock**

**17.** The Comptroller and Auditor General shall have authority to audit and report on the accounts of stores and stock kept in any office or department of the Union or of a State.

### **Powers of Comptroller and auditor General in connection with audit of accounts**

**18 (1)** The Comptroller and Auditor General shall in connection with the performance of his duties under this Act, have authority-

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

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

### **Audit of Government Companies and Corporations.**

**19 (1)** The duties and powers of the Comptroller and Auditor General in relation to the audit of the accounts of Government Companies shall be performed and exercised by him in accordance with the provisions of the Companies Act, 1956(1 of 1956)

(2) The duties and powers of the Comptroller and Auditor General in relation to the audit of the accounts of Corporations (not being Companies) established by or under law made by Parliament shall be performed and exercised by him in accordance with the provisions of the respective Legislations

(3) The Governor of a State or the Administrator of a Union Territory, having a Legislative Assembly may, where he is of opinion that it is necessary in the public interest so to do, request the Comptroller and Auditor General to audit the accounts of a Corporation established by law made by the Legislature of the State or of the Union Territory as the case may be, and where such request has been made, the Comptroller and Auditor General shall audit the accounts of such Corporation and shall have, for the purposes of such audit, right of access to the books and accounts of such Corporation.

Provided that no such request shall be made except after consultation with the Comptroller and Auditor General and except after giving reasonable opportunity to the Corporation to make representation with regard to the proposal for such audit.

### **Laying of reports in relation to accounts of Government Companies and Corporations**

**19A(1)** The reports of the Comptroller and Auditor General in relation to the accounts of a Government Company or a Corporation referred to in Section 19, shall be submitted to the Government or Governments concerned.



(2) The Central Government shall cause every report received by it under sub section(1) to be laid, as soon as may be after it is received, before each House of Parliament.

(3) The State Government shall cause every report received by it under sub-section(1) to be laid as soon as may be after it is received, before the Legislature of the State.

*Explanation-* For the purposes of this section “Government” or “State Government” in relation to Union Territory having a Legislative Assembly, means the Administrator of the Union Territory.

#### **Audit of accounts of certain authorities of bodies**

**20 (1)** Save as otherwise provided in Section 19, where the audit of the accounts of any body or authority has not been entrusted to the Comptroller and Auditor General by or under any law made by Parliament, he shall, if requested so to do by the President or the Governor of a State or the Administrator of a Union territory having a Legislative Assembly, as the case may be, undertake the audit of the accounts of such body or authority on such terms and conditions as may be agreed upon between him and the concerned Government and shall have, for the purposes of such audit, right of access to the books and accounts of that body or authority:

Provided that no such request shall be made except after consultation with the Comptroller and Auditor General.

(2) The Comptroller and Auditor General may propose to the President or the Governor of a State or the Administrator of Union Territory having Legislative Assembly, as the case may be, that he may be authorized to undertake the audit of the accounts of any body or authority, the audit of the accounts of which has not been entrusted to him by law, if he is of opinion that such audit is necessary because a substantial amount has been invested in, or advanced to, such body or authority by the Central or State Government or by the Government of Union Territory having a Legislative Assembly, and on such request being made, the President or the Governor or the Administrator, as the case may be, may empower the Comptroller and Auditor general to undertake the audit of the accounts of such body or authority.

(3) The audit referred to in sub-section (1) or sub-section (2) shall not be entrusted to the Comptroller and Auditor General except where the President or the Governor of a State or the Administrator of a Union Territory having a Legislative Assembly, as the case may be, is satisfied that it is expedient so to do in the public interest and except after giving a reasonable opportunity to the concerned body or authority to make representations with regard to the proposal for such audit.

(Pages 8 to 11 of the MSO(Audit). Second Edition-2002)

**ANNEXURE - II**

OFFICE OF THE ACCOUNTANT GENERAL (AUDIT ) KERALA  
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KALOOR KOCHI 682 017

CIRCULAR –NO-1/2006

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Gram-KERAUDIT COCHIN

**Daily rates of audit fee (EXCLUDING TRANSPORT ALLOWANCE) for recovery of cost of audit of non-Government funds have been revised as follows.**

**The rates are provisional. Separate rates have been prescribed for institutions following 5 day week and six day week**

Sl. No	DESIGNATION	KOCHI, KOZHIKODE AND TRIVANDRUM				KOTTAYAM AND THRISSUR			
		5 DAY WEEK		6 DAY WEEK		5 DAY WEEK		6 DAY WEEK	
		1.1.05	1.7.05	1.1.05	1.7.05	1.1.05	1.7.05	1.1.05	1.7.05
		Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
1	AAO	2325	2395	1985	2045	2175	2245	1855	1915
2	SO/Sr.ADR(ACP)	2060	2120	1760	1815	1920	1985	1640	1695
3	Sr.AUDITOR	1760	1815	1505	1550	1640	1690	1400	1445
4	AUDITOR	1390	1430	1190	1225	1300	1340	1110	1145
5	Sr.PEON/DAFTRY Jr.GEST.OPERATR	795	820	680	700	740	765	635	655
6	PEON	720	740	615	630	670	695	575	595

Approved by Pr. Accountant General Audit on 13-2-06

(Sd)  
Sr. Audit Officer/OA(Central)



OFFICE OF THE ACCOUNTANT GENERAL (AUDIT ) KERALA  
BRANCH KOCHI GOLDEN JUBILEE ROAD  
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CIRCULAR –NO 1/2006

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		1.1.05	1.7.05	1.1.05	1.7.05	1.1.05	1.7.05	1.1.05	1.7.05
		Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
1	AAO	2350	2420	2010	2065	2195	2265	1875	1935
2	SO/Sr.ADR(ACP)	2085	2145	1780	1835	1945	2010	1665	1715
3	Sr.AUDITOR	1770	1820	1510	1555	1650	1700	1410	1455
4	AUDITOR	1400	1440	1195	1230	1310	1350	1120	1155
5	Sr.PEON/DAFTRY Jr.GEST.OPERATR	805	830	685	705	750	775	640	660
6	PEON	725	750	620	640	680	705	580	600

Approved by Pr. Accountant General Audit on 13-2-06

(Sd)  
Sr. Audit Officer/OA(Central)

## CHAPTER 2

### DUTIES OF HEADQUARTERS SECTIONS

<b>2.01</b>	<p>The main duties of OAD Headquarters Section are :</p>
	<ul style="list-style-type: none"> <li>i) To prepare tour programmes of the Inspection parties and supervising officers;</li> <li>ii) To issue intimation of audit to the offices concerned;</li> <li>iii) To collect all relevant files, documents etc. and to dispatch them to the inspection parties;</li> <li>iv) To edit the inspection reports received from the inspection parties and to check the accounts, if any, attached thereto before submission for approval;</li> <li>v) To scrutinize the replies to the inspection reports, issue further remarks, if any, or take any further action on the same until the points raised in the reports are finally settled;</li> <li>vi) To dispose of all general questions relating to the Outside Audit Department;</li> <li>vii) To maintain the registers prescribed for the section in addition to the general registers required to be maintained otherwise;</li> </ul> <p style="text-align: center;">Note : A list of such registers with brief note is given at the end of this chapter as annexure-I</p> <ul style="list-style-type: none"> <li>viii) To distribute office orders, circulars, etc. to the inspection parties.</li> <li>ix) To examine the weekly diaries of inspection parties;</li> <li>x) To review the outstanding paragraphs in the inspection reports monthly;</li> <li>xi) To report delays in the disposal of inspection reports by Heads of Offices to the Finance Department;</li> <li>xii) To furnish to the OA Parties whenever necessary information on the defects noticed in the Central Audit which will be a valuable guide to the parties in conducting local audit by collecting the necessary materials from the concerned audit section.</li> <li>xiii) To maintain policy files in respect of loans and grants; and</li> <li>xiv) To collect the notes submitted by the OA Parties regarding delay in answering objections and returning the audit query statements, by the Heads of the offices inspected and to report them to the Finance Department.</li> <li>xv) To prepare draft paragraph for Audit Report relating to Civil Departments for processing at Report (Civil) Section at Thiruvananthapuram.</li> </ul>
<b>2.02</b>	<p><b><u>Programme of audit of the Outside Audit Department :</u></b></p> <p>The programme of local audit for the next financial year should be reviewed and drawn up early in January each year. In drawing the programme, the following instructions issued on the subject should be specially borne in mind :</p> <ul style="list-style-type: none"> <li>i) <b><u>List of Auditees :</u></b></li> </ul> <p>A comprehensive list of all civil offices of the State Government to be locally audited should be drawn up and maintained in OA Headquarters in Form-I. While drawing up the list, it is to be ensured that no important office incurring substantial expenditure is left out of the list and among others, as many offices as can conveniently and without disproportionate expenditure be audited locally are also included in the list. The list should be reviewed every year and kept up-to-date.</p> <ul style="list-style-type: none"> <li>ii) A computer software, viz. Audit Management Software has been prepared and put to use in OA Headquarters from 1-4-2004. This software facilitates the following : <ul style="list-style-type: none"> <li>(a) Creation of database of all civil institutions to be locally audited by OA Headquarters. This database has to be periodically updated by OA Headquarters I Section.</li> <li>(b) Preparation of Audit Plan.</li> </ul> </li> </ul>

- (c) Preparation of Annual Forecast.  
 (d) Preparation of quarterly tour programme of OA parties.  
 (e) Preparation of tour programme of supervising officers.  
 (f) Preparation of Diary Verification Sheets for checking the diaries received from OA Parties.

When a new office is established, the details of the institutions is posted both in the Register of Institutions as well as in the computer on receipt of Treasury Authorisation issued by the AG(A&E).

iii) **Audit Plan**

- (a) A biennial Audit Plan with detailed Audit Plan for the first year has to be prepared and sent for the approval of Principal Accountant General by 10<sup>th</sup> January every year. For this purpose, the units and inspection parties are to be categorised as category A, B & C as shown below :

Units - category	Frequency of audit	Duration of audit
A - Units having more than Rs.1 crore expenditure excluding establishment expenditure	Annual	8 to 10 working days
B - Units having expenditure between Rs.25 lakh to Rs.1 crore.	Biennial	6 to 8 working days
C - Units having expenditure less than Rs. 25 lakh	Once in 3 years depending on the availability of staff.	3 to 6 working days

Parties - Category	Composition	Supervision
A	1 Sr.AO / AO 2 AAOs / SOs	100 percent
B	2 AAOs / SOs or 1 AAO + 2 Sr. Auditors	50 percent
C	1 SO, 1 Auditor/ Sr. Auditor	Nil

Categorisation of party will change based on review to be undertaken every 6 months depending on performance by way to contribution of Audit Report material.

( CAG 's D.O.Letter No.1127-Rep(s) 35-2002/04-10-2002 and AG(Audit)Sectt/Br.Tr. No.301 dated 22-10-2002)

- (b) The Audit Plan should be prepared taking into account the following aspects to achieve better audit objectives :

1. Utilisation of available man power economically and without any slackness.
2. Allocation of man power to all the group activities accordingly to their need and availability.
3. Providing specific direction for audit with thrust area approach.
4. Introducing cost effective audit and allocating cost for each activity (group) so that scarce resources ( manpower, money and time) can be utilised most judiciously.
5. Giving audit a human face by conducting social audit covering backward districts/region/ blocks in selective manner. Adequate coverage to be given for poverty alleviation and other social service programmes.
6. Making audit more effective in enforcing accountability of Executive to ensure proper utilisation of Central Funds and State share on socio-economic development.
7. Health care, education and employment generation should continue to receive more attention of Audit.
8. Making Audit more management friendly by providing management support to the

	<p>auditee through integrated audit of Department.</p> <p>9. Conducting proper risk analysis based on past experience of similar units, budget allotments, media reports, inherent vulnerability to irregularities owing to poor or non-existent internal controls etc. (PAG's Note. No.PAG(Au)/Sectt/AP/18-11-2005)</p> <p>(c) The Audit Plan should show the total number of units, units proposed to be programmed during the ensuing year indicating the party days. The Audit Plan should then be sent to Principal Accountant General for approval and final approval by Headquarters.</p> <p>(d) Based on the Audit Plan approved by the Principal Accountant General, an Annual Forecast has to be prepared indicating the name of institution, frequency, duration and month/year of last audit. This Annual Forecast should be sent to the Principal Accountant General (Audit ) for approval. Please also see (f) below.</p> <p>(e) The programme should be drawn up in such a way that every office may come under local audit in rotations and with due consideration of the availability of requisite and duly qualified staff for the purpose.</p> <p>(f) The programme so drawn up should then be communicated to the Finance Department of the State Government with a request to suggest if they want any other office to be included for any special reason in the list for the year. The Department concerned should be given at least a month's time to propose their suggestions. In finalising the list due consideration may be given to the suggestions of the Governments. If the suggestions of the Governments cannot be implemented within the resources at our disposal it may be necessary to postpone the audit of some other comparatively lesser important office to a subsequent year. The forecast of inspection for the coming year, i.e. the final list of audit, taking into consideration the suggestion of the Governments should then be prepared and put up to the Accountant General for approval by the end of the first week of March. Copies of finalised list should also be sent to the Governments concerned in the Administrative Department and in the Finance Department to reach them by the 15<sup>th</sup> of March.</p> <p>( CAG's D.O. No. 2675-Admn.I/702-55 dated 31/12/1955 and Lr.No.571-Admn.I/158-57/11 dated 14-5-1958 -- Case OA.I/6-9/670-61 ).</p> <p>(g) The local audit programme may be organised in such a way as to ensure that the audit of bodies and authorities selected under sections 14 and 15, corporations and other institutions is completed according to prescribed schedule. The reviews of schemes selected are also required to be completed with the available staff. The balance of staff are to be deployed on the normal OAD work which should be phased in a suitable manner. In this context, the concept of any "arrears" in local audits should, therefore, not arise. All institutions should be covered in local audit over the period of time without any fixity of schedule.</p> <p>( CAG's Lr. No. 380-Codes.I/41-74/Gr.V dated 5-8-1975).</p> <p>(iv) <b><u>Risk analysis - Meaning and role of risk in audit.</u></b></p> <p>(a) One of the objective of audit is to provide report to users with a reasonable assurance that the accounts and the financial statements we audit give a true and fair view and properly or fairly present the financial position of the entity and that they have been prepared in accordance with relevant accounting principles and other requirements, and transactions reported in them are in accordance with the authorities that govern them. We give an audit opinion on reasonable assurance since to do so with absolute certainty would be vastly expensive. It is acceptable that audits are performed on a test basis with a resulting risk that we fail to discover all material errors. In this situation, we have to assess risk to conduct the audit with an acceptable level of assurance.</p> <p>(b) Audit risk means that auditors may give an opinion that is not correct or auditors</p>
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	<p>may fail to report a loss or wrongful information . The auditor's report may go wrong or material error may remain in the accounts when error has occurred in the first place when internal controls fail to prevent or detect the error and when the procedures fail to detect it. These are the components of audit risks. Analysis of risk is carried out on these components for the assessment of overall audit risks.</p> <p>(c) Risk based auditing is an effective way to design an appropriate audit programme for a given auditing situation. It is an approach to audit whereby limited audit resources are focused on high risk areas and not spread over thinly so that we avoid over auditing in low risk situations and under auditing in high risk situations.</p> <p>(v) <b><u>Review of frequency, duration etc. of local audit :</u></b></p> <p>In order to facilitate review of the frequency, duration, etc. of local audits, the Supervising Officers and AAOs/SOs should record in a separate report their impressions regarding the state of accounts and the time required for their audit and make suggestions for increasing or decreasing the extent of local audit of the institutions inspected by them. There may be cases of some offices where improvements in the maintenance of accounts have taken place in which case it is but proper that the frequency and quantum of local audit are reduced. Where the offices have shown no marked improvements or where there are other special circumstances which call for such action, it would be necessary to intensify the local audit of the institution. It should be noted that the object of the report and the review in the Central Office is to ensure that the limited manpower at our disposal is utilised to the maximum advantage. The report should invariably accompany the inspection reports sent to the Central Office by the Inspecting parties.</p> <p>(Orders OA.I/2-3/56-57/1 dated 27/6/1956).</p> <p>(vi) <b><u>Procedure for drawing up programmes :</u></b></p> <p>A quarterly programme of each audit party will be framed by not later than the 15<sup>th</sup> of the last month of the previous quarter on the basis of the Annual Forecast approved by the Accountant General.</p> <p>The quarterly programmes will show the offices to be audited by each inspection party and the date of commencement and termination of each audit. For parties touring outside, the programmes will provide for periods of transit from one station to another. The following points should be borne in mind in preparing the programme.</p> <ol style="list-style-type: none"> <li>1. The audit of offices or institutions which enjoy periodical vacations such as schools and colleges should not be fixed on dates falling within such vacations.</li> <li>2. If in any office, store accounts or proforma accounts also are to be audited, its inspection should not be taken up before such accounts are made ready. Wherever possible, a previous enquiry should be made as to the readiness of those accounts before fixing up the inspection of the respective offices.</li> <li>3. When the store accounts or proforma accounts of an office are to be audited that fact should be indicated against the name of the office in programme.</li> <li>4. A copy of the approved programme should be supplied to the respective AAOs/SOs and the officers who supervise the audits, the concerned IAU Sections and their branch officers.</li> </ol> <p>(vii) <b><u>Local audit of contingent expenditure by Receipt Audit parties :</u></b></p> <p>It has been decided that as in the case of Central Receipts where audit of State Receipts has been undertaken by the State Accountants General (Receipt Audit Wing) the audit of contingent expenditure incurred by the various disbursing officers in the revenue department concerned ( other than Directing Offices) may be entrusted to the Receipt Audit Parties visiting these offices.</p>
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	( Authority : CAG's Lr. No. 101-Rec/A.III/145-72-III dated 18-4-1973).
<b>2.03</b>	<p><b><u>Intimation regarding taking up of audit.</u></b></p> <p>Intimation of the dates of inspection of the institutions to be audited by the inspection staff will be issued from the Outside Audit ( Headquarters) to the Heads of Offices, concerned, fourteen days before the commencement of inspection. The letter should indicate that the audit party may request him to physically verify the cash and inventories in their presence. It should also indicate the documents and information to be kept ready by the head of office. A Specimen is given as Annexure II to this chapter. (Orders of PAG dated 10-10-2003 communicated in ITA/1-5/2003-04/96/14-10-2003)</p>
<b>2.04</b>	<p><b><u>Tour Programme of Group Supervising Officers/ Audit Officers :</u></b></p> <p>(a) It has been decided by the Comptroller and Auditor General of India that the Group Supervising Officer of Outside Audit Department in the Office of the Accountant General (Audit), whether civil, commercial or revenue audit should do an average a minimum of 7 days' inspection in a month. Supervision of field units by Group Officer should be enforced strictly and his own contribution during tour should be mentioned in a tour note. A minimum of 5 days must be spent by the Group Officer for each audit and the practice of a day's tour should be discouraged. ( No. 425-Rep(S)/69-99 dated 27-3-2000 of CAG). The average minimum may however, be relaxed by the Accountants General(Audit) in respect of supervisory officers who hold dual or extra charges in their offices or are working under abnormal conditions.</p> <p>( CAG.s Cir. No. 171-TA 11/120-82 dated 16/2/1983).</p> <p>(b) The tour programme of the Audit Officers supervising the field parties is approved by the Group Officer. Copies of the approved programme should be supplied to the officers concerned.</p>
<b>2.05</b>	<p>Each OA party shall keep a file containing the circulars/ instructions, etc issued by Headquarters from time to time. The file should be maintained by the senior AAO/SO of the party and transferred to the successor on his relief . In case the party is wound up, the file should be handed over to OA(HQ)I Section (Circular No,7 -OA(HQ)I GI/4-5/99-2000 dated 3-12-1999)</p>
<b>2.06</b>	<p><b><u>Calendar of Returns :</u></b></p> <p>A Calendar of Returns shall be maintained by the AAO/SO of the Headquarters section in order to observe the due dates prescribed for the various items of work. The actual date on which the work is completed should be filled in by the AAO/SO in each case and the Calendar of Returns submitted to the Branch Officer every Tuesday, and to the Group Officer on the 7<sup>th</sup> of each month along with the monthly arrear reports.</p> <p>Some of the important returns to be submitted/ sent are indicated in Appendix - I. For detailed instructions regarding the maintenance of calendar of returns, Para 5.01 of the Manual of General Procedures may be referred to.</p>

## ANNEXURE I

### ( Vide paragraph 2.01 vii)

Registers maintained in Headquarters Section

(i) Register of local audit

For the purpose of drawing up the audit programme, district-wise registers is maintained at headquarters in Form I showing the several institutions under local audit, their periodicity, time allowed for audit, dates of last audit, etc. The details in this register are regularly updated as and when the audit is conducted (Vide Para 2.02(i))

The register thus contains an up-to-date list of institutions under local audit for guidance of the section in the preparation of the programme.

(ii) Register for noting points to be examined during local inspection :

A register in Form II is maintained by the section according to the departments for noting points which should be examined during the course of local inspection. Whenever other sections come across points which merits examination in local audit, information thereof should be furnished to OA(H.Qrs.) section after approval by the Group Officer.

Cases so reported for examination during local inspection are included in the register by the OA(HQrs). The points outstanding from previous inspection reports are also to be briefly noted in the register, after a prescribed period, say three months before the next inspection. Not more than one entry should be made on one page and each entry should be attested by the AAO/SO. The register should be submitted to the Branch Officer on the prescribed date of each month.

Extracts from this register are sent to the Inspecting Officer, along with the connected files or inspection reports for his examination and report. On receipt of his report the points are dealt with in the usual manner and the final disposal recorded against each point in the register under the dated initials of AAO/SO giving reference to the orders on the connected file.

( Office Order No. F.A.72 dated 16/9/1955).

(iii) Register for watching the receipt and issue of the Inspection Reports :

This register is maintained in Form III ( Sy.336). The timely submission of inspection reports by the audit parties, their submission by OA(HQrs) Sections to the Group Officer within the time fixed and the final issue of the report in time are watched through this register ( see para 8.07of this Manual )

(OA. 1/2-36/D1/685 dated 28/9/1960).

(iv) Register to watch progress in the Settlement of Inspection Reports.

This register has to be maintained in the form prescribed by Comptroller and Auditor General subject to minor modifications to suit local requirements, if any. The specimen is given in Form IV( Sy.328) (see Para 8.13 of this Manual.)

(OA.1/2-36/D1/685 dated 28-9-1960).

(v) **Objection Books.**

Para 7.2.2 of the MSO(Audit) Second Edition-2002 requires that the objections in the Inspection Reports which can be expressed in money value should be registered in the objection books(Form XII ) of the Central Office. For this purpose the Inspecting Officer will indicate in the title sheet of the report items having money value which should eventually find a place in the objection book, for check and action in the Central Office. The Auditor and AAO/SO, OA(HQrs) Section



should examine all paragraphs of the report and certify on the office copy that all objections raised therein which should be registered in the objection book have been duly posted. Cross reference to item numbers of the objections books against the paras of the inspection report should be quoted for facility of reference. (see Para 8.12(i) of this Manual.)

(vi) Register of Financial Irregularities.

All important cases of financial irregularities detected during local audit, which appear to be fit for inclusion in the Audit Report, should find a place in the Register of Financial Irregularities (Form No.XIII. Sy.286-A) and the disposal of all such cases upto the receipt of final orders from the Government should be watched through it. Prompt reminders should be issued in the case of all outstanding items and the register should be submitted for review to the Group Officer every month. At the time of submission, the AAO/SO will indicate which of the irregularities noted therein have been finally settled and which are ripe for inclusion in the Audit Report. In the case of the latter, paragraphs should at once be prepared, if not already done, and submitted with the register to the Group Officer for approval(see Para8.14 of this Manual.).

(vii) Check Register of Weekly Diaries.

A check register of weekly diaries of the members of audit parties should be maintained in OA(HQ) Section in Form SY.325 .Form XV) The relevant columns of this register have to be carefully filled up with reference to the diaries forwarded by the local audit parties in Form . SY.324 (Form No. XIV)

For details of procedure in the parties and in the headquarters, please see para 3.34

(viii) Register for watching recovery of cost of audit.

Audit fees according to the daily rates fixed by the Government of India have to be recorded in appropriate cases. A register in Form V ( SY.338) should be maintained in the section to watch the recovery of audit fees. The register should be submitted monthly to the Branch Officer and quarterly to the Group Officer(see Para1.07 of this Manual.).

(ix) Check Register for T.A. Bills.

This register has to be maintained in Form VI. This is intended to record the receipt of T.A. Bills of the local audit parties as well as the Inspecting Officers. The TA bills of the members of the local audit parties are to be verified by OA(HQrs) with reference to the programme of the party, diaries, leave etc.

(x) Register of deviation in the local audit programme and tour programme of Inspecting Officer.

This register has to be maintained in Form VII.

(xi) Register for watching the receipt and issue of lists of objections and other documents sent to the Local Audit Parties for verification :

This register has to be maintained in Form No. VIII ( For details of procedure see Chapter 3 para 14 (a)).

(xii) Register of Potential Draft Paras.

The register may be maintained in the form prescribed by ITA by circular No. ITA 127-1/97-98 dated 19-8-1997 .Form.No.XVII

It is desired that one page may be set apart for each case so that gist of further developments till it is processed into Draft Para case be recorded. The register should be closed monthly and submitted to AG. Closing should clearly indicate age-wise analysis of pending items and specify their serial numbers.



**ANNEXURE II**

( Vide para 2.03 )

**OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT)KERALA, BRANCH:  
THRISSUR – 680 020.**

Phone: 0487-2331402

Fax No.0487-2331121

No.OA(HQ)/I/PROG./III/OAP /IC /2006-07/

Dated: - - 2006

To

Sir,

I am to inform you that the Assistant Audit Officer/Section Officer of Audit Party No..... will inspect and test audit the accounts of your Office on or about.....and succeeding days and request that he/she may be extended all the facilities for carrying out the work.

It would be advantageous, if you could conveniently arrange to be present at the time of inspection, so that any point of doubt or importance may then be personally discussed with you. On the first day of audit, the party members will have an entry meeting with the Head of Office to discuss the Audit Plan. On the last day of audit, the draft Inspection report will be discussed.

In the course of audit, the field party may request you to physically verify the cash and inventory in the presence of auditors and to record the result of verification. Necessary assistance may be accorded to the audit party for this purpose also.

I shall be obliged if you give, in particular, such directions to your staff, as may be necessary, to ensure that all documents which will be required during the inspection are kept ready and that the audit observations are attended to promptly for settlement.

A list of documents to be kept ready by the scheduled date of commencement of audit is enclosed. Details/information called for therein may also be kept ready. If higher authorities maintain the Service Books, they may be collected from them sufficiently early and produced for verification. In the case of audit of the Office of the Assistant Director of Agriculture, the accounts of the related Krishi Bhavans will also be audited. In case of audit of VHSS/HSS, the Principal/Headmaster of HSS/HS sections may also be intimated about the audit.

Please acknowledge receipt of this intimation by return post, quoting the reference number and indicating correct postal address with telephone number/contact number of your office.

Yours faithfully,

Enclosure: As above

**Asst. Audit Officer/OA (HQ) I****List of records to be kept ready on the scheduled date of commencement of audit.**

1. Cash Book (including subsidiary Cash Book, if any)
2. Pass Books, Cheque Books, Counterfoils of used cheques, stock register of cheque books and Bank reconciliation statement in respect of Bank/Treasury accounts
3. Receipt Books and Register of Receipt Books.
4. Acquittance Rolls.
5. Chalan Receipts and Register of Chalans.
6. Contingent Register.
7. Treasury Bill Book.

8. Register of Bills endorsed.
9. Pay Bill Register with Abstract of Pay Bills.
10. Special Advance Register (KFC form 5)
11. Trunk Call Register and file.
12. Loan Register and file.
13. Stamp Accounts and dispatch Register.
14. Log Book of vehicle and Register of replaced spare parts.
15. Maintenance and Repair accounts (KFC form 48-c)
16. Register of Incumbents.
17. Service Books and Register of Service Books.
18. Register of Furniture & other office stores (KFC form 18)
19. Register of Land & Buildings (KFC form 23)
20. Auction Register (KFC form 20)
21. Stock Register of Books & periodicals (KFC form 19)
22. Register of Tenders (KFC form 15)
23. Stock Books of Stores and dead stock (KFC form 17)
24. Certificates of physical verification of stock, stores, etc .together with relevant stock register.
25. Copies of sanction for retention & continuation of post & other records.
26. Register for watching utilization of Loans & Advances (KFC form 55B).
27. Survey Report of Stores & Stock (including machinery, tools & equipments which have become unserviceable.(KFC form 21)
28. Sale Account (KFC form 20 A)
29. Register of Valuable documents.(KFC Art.333 (v)).
30. Register of Permanent Advances.
31. Register of Cheques presented at Treasuries (KFC Rule 106 (b) & 124)
32. Register of undisbursed pay etc. (KTC Rule 119)
33. Register of Inspection Reports and outstanding IRs.
34. Register of Audit Objections (KFC form 4)

**Details/ Information to be kept ready.**

1. Name(s) of officers in charge of the office since last audit and the period(s) of charge.
2. Details of attached sub offices or units, if any.
3. Staff Strength – sanctioned and actual (category wise).
4. Number of Service Books – (a) maintained, (b) Produced to audit and (c) reason for non-production, if any.
5. List of N.G.O.s due to retire within 5 years from the scheduled date of audit.
6. List of N.G.O.s who are not admitted to GPF/SLI.
7. Details of last departmental /internal audit such as:
  - (a) dates of inspection and the authority who conducted the inspection;
  - (b) period of accounts covered, and
  - (c) present stage of the report.
8. Gross expenditure during the last financial year;
  - (a) Establishment,
  - (b) Non-Establishment.
9. Amount of Permanent advance sanctioned.
10. Total Gross Revenue collected during the last financial year and the nature of revenue.
11. List of non-Government accounts maintained.
12. List of accounts maintained with Commercial Banks, Co.op.Banks /Societies, Govt. Treasuries.
13. Number of Subsidiary cash books, if any, maintained.
14. List of purchases exceeding Rs.1000/-
15. List of Officials against whom disciplinary action is taken.
16. List of cases of theft, loss, embezzlement, or misappropriation of Govt.money /property.
17. List of previous Inspection Reports/ Paras pending settlement.

<b><u>CHAPTER - 3</u></b>	
<b><u>PROCEDURE DURING INSPECTION</u></b>	
<b>3.01</b>	<b>Scope of Inspection and local audit</b>
	The broad outline of duties and responsibilities allocated to various categories of personnel in civil audit parties is furnished in Annexure 2.9.1 to the Manual of Instructions for Restructuring of cadres in IA & AD and is given in Appendix VII of the Manual. The scope of inspection and local audit is dealt with in Section VI of the MSO(Audit) Second Edition -2002. The instructions given below are supplementary to the provisions contained therein.
<b>3.02</b>	The primary function of local audit is to verify the accuracy and completeness of accounts. All possible attention should, therefore be devoted to the examination of initial records and accounts. The AAO/SO and Auditors should not make any relaxation on their own accord. It is, however, very important that the prescribed checks are observed in their spirit and not in their letter as opposed to the spirit.
<b>3.03</b>	<p>(a) As the object of the accounts is to present a true financial picture, intelligent and proper audit requires visualising of all financial transactions in their proper perspective as a whole and not merely the examination of the details of the transactions which work to the final result. The inspecting staff should also, prior to taking up the audit of the accounts of any particular institution, make themselves conversant with the nature of transactions, the system of accounts, the account books prescribed, the budget, departmental manual and the administration report or any other Government publication in order to obtain a correct perspective of the financial side of the institution. In such and similar ways they should make their audit both intelligent and useful instead of allowing it to become merely a process of checking registers in a mechanical way.</p> <p>(b) The INTOSAI (International Organisation of Supreme Audit Institutions) has adopted a Code of Ethics for auditors in the public sector and restructured Auditing Standards in its XVIIth Congress in Seoul in 2001. These auditing standards have been suitably adapted with due consideration of the Constitution of India, relevant statutes and rules for the auditing standards for the Supreme Audit Institution (SAI) of India i.e. CAG.</p> <p>(c) <b><u>Code of Ethics</u></b> A Code of Ethics is comprehensive statement of values and principles which should guide the daily work of auditors. The independence, powers and responsibilities of the public sector auditor places high ethical demands on the SAI and the staff they employ or engage for audit work. A Code of Ethics for auditors in the public sector should consider the ethical requirement of civil servants in general and the particular requirements of auditors including latter's professional obligation.</p> <p>The Code requires that:-</p> <ol style="list-style-type: none"> <li>i) The conduct of auditors should be beyond reproach at all times and in all circumstances.</li> <li>ii) The auditors should adopt and apply the ethical requirements of integrity, independence, objectivity, confidentiality and competence so that the SAI is looked upon with trust, confidence and credibility.</li> <li>iii) It is important to maintain both actual and perceived political neutrality. The auditors should maintain their independence from political influence in order to discharge the audit responsibility in an impartial way.</li> <li>iv) Auditors should protect their independence and avoid any possible conflict of interest by refusing gifts or gratuity which could influence or be perceived as influencing their independence and integrity.</li> <li>v) Auditors should not use information received in the performance of their duties as a means of securing personal benefit for themselves or for others. Neither should they divulge information which would provide unfair or unmeasurable advantage to other individuals or organisations nor should they use such information as a means for harming others.</li> <li>vi) Auditors should not disclose information obtained in the auditing process to third parties either orally or in writing except for the purpose of meeting the SAI's statutory or other identified responsibilities as part of the SAI's normal procedure or in accordance with relevant laws.</li> <li>vii) Auditors should conduct themselves in a professional manner at all time and to apply high</li> </ol>

- professional standards in carrying out their work.
- viii) Auditors should not undertake work they are not competent to perform.
  - ix) Auditors should exercise due professional care in conducting and supervising the audit and in preparing related reports.
  - x) Auditors should use methods and practices of the highest possible quality in their audit. In the conduct of the audit and the issue of reports, auditors have a duty to adhere to basic postulates and generally accepted auditing standards.
  - xi) Auditors have a continuous obligation to update and improve the skill required for the discharge of their professional responsibilities.

**(d) Auditing Standards**

- i) The Auditing Standards prescribe the norm of principles and practices the auditors are expected to follow in the conduct of audit. The auditor must exercise due care and concern in complying with the Auditing Standards.

( Para 2.1.2 of MSO(Audit), Second Edition, 2002)

As mentioned in Para 3.0.4 (b), C &AG has adopted restructured Auditing Standards of INTOSAI to suit the situations prevailing in India. The Auditing Standards consist of four parts viz.,

- a) Basic Postulates
- b) General Standards
- c) Field Standards
- d) Reporting Standards.

The main points contained in the Auditing Standards are given below .

**ii) Basic Postulates**

- a) The Supreme Audit Institution should apply its own judgement to the diverse situations that arise in the course of Government auditing.
- b) There is a need for effective accountability process in view of the increased public consciousness and demand for public accountability of persons handling public resources.
- c) Development of adequate information, control, evaluation and reporting system within Government to facilitate accountability process.
- d) Appropriate authorities should ensure promulgation of acceptable accounting standards for financial reporting.
- e) Consistent application of accounting standards for fair presentation of the financial position.
- f) The existence of an adequate system of internal control to minimise risk of errors and irregularities.
- g) Legislative enactment for providing access to all relevant data necessary for comprehensive assessment of the activities under audit.
- h) All audit activities should be within SAI's audit mandate.
- i) SAI should work towards improving techniques for auditing the validity of performance measures.
- j) Supreme Audit Institution should avoid conflict of interest between the auditor and the entity under audit.

**iii) General Standards**

- a) The auditor and the audit institution must be independent. This means independence from Legislature, the executive and the audited entity.
- b) The auditor and audit institution must possess the required competence. This means that the SAI must apply to his audits methodologies and practices of highest quality. The audit department should equip itself with the full range of up-to-date audit methodologies including system based technique, analytical review methods, statistical sampling and audit of automated information systems.

- c) The auditor and the audit institution must exercise due care in planning, specifying, gathering and evaluating evidence and in reporting findings, conclusions and recommendations. Auditors need to be alert for situations, control weaknesses, inadequacy in record keeping, errors and unusual transaction or results which could be indicative of fraud, improper or unlawful expenditure, unauthorised operation, waste, inefficiency or lack of probity.
- d) Information about an audited entity acquired in the course of the auditors work must not be used for purposes outside the scope of an audit and the formation of an opinion or in reporting in accordance with the auditor's responsibility. It is essential that the audit department maintain confidentiality regarding audit matters and information arising from its audit work. However, SAI must be entitled to report offences against the law to proper prosecuting authorities.

**iv) Field Standards**

- a) The auditor should plan the audit in a manner which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner.
- b) The work of audit staff at each level and audit phase should be properly supervised during the audit and a senior member of the audit staff should review documented work.
- c) The auditor in determining the extent and scope of audit should study and evaluate the reliability of internal control.
- d) In conducting regularity ( financial ) audits, a test should be made of compliance with applicable laws and regulations. The auditor should design audit steps and procedures to provide reasonable assurance of detecting errors, irregularities and illegal acts that could have a material effect in the financial statement amounts or the results of regularity audits.
- e) In conducting performance audits, an assessment should be made of compliance with applicable laws and regulations when necessary to satisfy audit objectives.
- f) Any indication that an irregularity, illegal act, fraud or error may have occurred which could have a material effect on the audit should cause auditor to extend procedures to confirm or dispel such suspicions.
- g) Competent, relevant and reasonable evidence should be obtained to support the auditors judgement and conclusion regarding the organisation, programme, activity or functions under audit.
- h) In regularity audit and in other types of audit when applicable, auditor should analyse the financial statement to establish whether acceptable accounting standards for financial reporting and disclosure are complied with.

**v) Reporting Standards**

The reporting standards constitute the frame work for the audit organistaion and the auditor to report the results of audit of regularity or performance audit or expressing the opinion on a set of financial statements. They are :

- a) On the completion of audit assignment, the auditor should prepare a written report setting out the audit observations and conclusions in an appropriate form. Its content should be easy to understand, free from ambiguity and supported by sufficient, competent and relevant audit evidence and be independent, objective, fair, complete, accurate, constructive and concise.
- b) The auditor should issue the reports in a timely manner for use by management, legislature and other interested users.
- c) The audit report may be presented on other media that are retrievable by other users and the audit organisation.
- d) With regard to audit of financial statements, the auditor should prepare a report expressing opinion on the fair presentation of the financial position of the audited entity in the financial statement.
- e) With regard to fraudulent practices or serious financial irregularities detected during audit or examined by audit, a written report should be prepared indicating scope of audit, main findings, total amount involved, modus operandi of the fraud or irregularity, accountability for the same and recommendations for improvement of internal control system, fraud prevention and detection measures to safeguard against recurrence of fraud/

	<p>serious financial irregularity.</p> <p>f) With regard to performance or value for money audits, the report should include a description of the scope and coverage of audit, objective of audit, area of audit, main findings in respect of the efficiency, economy and effectiveness aspects of the area which was audited and recommendations suggesting the improvements that are needed.</p> <p>g) With regard to regularity audits, the auditor should prepare a written report which may either be a part of the report on the financial statements or the value for money audit or a separate report on the tests of compliance of applicable laws and regulations. The report should contain a statement on the results of the tests to indicate the nature of assurance i.e. positive or negative obtained from the tests.</p> <p>h) Auditor should report all significant instances of non-compliance and all significant instances of abuse that were found during or in connection with the audit. In some circumstances auditors should report illegal acts promptly to the audited entity without waiting for the full report to be prepared after audit.</p> <p>i) Auditor should report deficiencies in internal control that they consider to be reportable conditions.</p> <p>j) The report should have a suitable title or heading.</p> <p>k) The report should be properly signed and dated.</p> <p>l) The report should include reference to the objectives and scope of audit.</p> <p>m) Audit opinion and reports should identify the legislation or other authority providing for audit.</p> <p>n) Audit opinions and reports should indicate the auditing standards or practices followed in conducting the audit, thus providing the reader with an assurance that the audit has been carried out in accordance with generally accepted procedures.</p>
<b>3.04</b>	<p>In conducting the audit of accounts, the auditors should deal only with matters which have a financial bearing. Points which come under the principles of audit and cases of infringement of the standards of financial propriety should be investigated. But the auditors must be careful neither to interfere in executive matters nor to take up questions of administration, which have nothing to do with audit and accounts, or which are otherwise outside the province of legitimate enquiry of audit.</p>
<b>3.05</b>	<p>When an auditor proposes to raise a question on higher audit on a subject which is predominantly administrative or technical in character, he should make sure that he has been able to ascertain and properly grasp the facts and the principles behind them and that the raising of the question or its pursuit is a legitimate duty of audit and likely also to serve some practical purpose. It is desirable to consult the Supervising Officer on the spot or the Group Officer (IC) before taking up or pursuing questions which are likely to take an awkward turn.</p>
<b>3.06</b>	<p>The value of audit depends largely on the intelligence and thoroughness which is brought to bear upon it. Sometimes routine and formal objections, if pursued properly may lead to the detection of serious irregularities or a defect of system liable to lead to fraud. Auditors should always be alive to this and exercise the prescribed routine checks of initial records such as cash book, counterfoils of receipts, etc. with adequate attention. When an inspecting Section Officer/ Asst. Audit Officer feels that he has touched on a matter which requires investigation, he should go into it with an exhaustiveness which will leave no details undiscovered, and he must take nothing for granted during such investigation.</p>
<b>3.07</b>	<p>It is undesirable to neglect the check of important initial records in local inspections in favour of materials which may provide cases for higher audit. In a case of embezzlement of money by a clerk of an office, it was found on investigation that a comparison of entries in the cash book with the counterfoils of receipt granted and the treasury remittance book would have enabled audit to detect the fraud. The audit inspection party, however, devoted most of their time to the examination of executive financial order, service books, etc. and the important initial record namely the cash book was not examined at all. In the zeal for finding material for higher audit by examining such cases, the examination of the initial accounts which is the primary object of local audit did not receive sufficient attention. The Auditor General has emphasised the fact that the primary duty of the Indian Audit Department is to secure the correctness of accounts and not criticism of the executive work of a department.</p> <p>(Auditor General's Lr. No. 31-Admn.I/205-36 dated 15-1-1937 )</p>



<b>3.08</b>	<p>In auditing payment vouchers the auditors should not apply merely mechanical checks, eg. seeing that there is proper acquittance in support of payments, that amounts charged are arithmetically correct and the rates are in accordance with the schedule of rates. In the interests of thorough audit it is necessary to see that the charges in the bills are not extravagant and if doubt arises, the prevailing market rates may be ascertained through the District Officer. Cases of different rates paid for the same article observed in auditing the accounts of two or more offices in the same locality should be investigated and the auditors should find out carefully the causes of such differences.</p>
	<p><b>NOTE :</b></p> <ol style="list-style-type: none"> <li>1. The use of any form of questionnaire is prohibited.</li> <li>2. The material for the inspection report should be gathered by the inspection staff themselves from the records they have inspected.</li> </ol>
<b>3.09</b>	<p>In auditing accounts, all entries checked should be ticked or cross-ticked by the auditors and all vouchers or chalans examined should be initialled by them. When the document checked by the auditor is reviewed by the AAO/SO he should record against the auditor's entry the word 'Reviewed' under his dated initial.</p>
	<p><b>NOTE :</b></p> <p>In addition to the general review of the work done by the auditors during local audit the AAO/SO of the party ( the senior-most among them in the case there are more than one AAO/SO) should conduct a test check of 10 percent of the work done by the auditors including the check of totals expected to be done by the latter and record the following certificate in the title sheet attached to each inspection report : "Certified that I have checked ten per cent of the items of work done by the auditors. Details are indicated in Part-C ( documents checked) of the title sheet."</p> <p>( Cir. No. Co-ord.I/12-1.A dated 16-4-1979 ).</p>
<b>3.10</b>	<p>Auditors should not make notes, corrections or remarks in any of the registers or any document of the office which they are auditing. They should not take any register or account book to their residence.</p>
<b>3.11</b>	<p><b>Power to make independent enquiries :</b></p> <p>While auditing the accounts of Government institutions and offices, auditors should not make any enquiries from the tax payers or the general public, as such action amounts to an encroachment on the functions of the Administration. Audit should confine itself to calling upon the Executive to furnish necessary information and in case of difficulty, it should confer with the Executive as to the best means of obtaining the evidence which it requires [ Para 2.1.10 of the MSO(Audit ) Second Edition-2002]. Auditors should not also, while auditing the accounts of a public or quasi-public body, be permitted to make independent enquiries of tax payers or of the public at large unless such a procedure is expressly authorised by statutory regulations or executive orders.</p> <p>If there are suspicious circumstances in the accounts, the Inspecting Officer should report the fact to the Group Officer (IC)</p>
<b>3.12</b>	<p>(i) <b>The period to be audited :</b></p> <p>The period of accounts to be audited by the Inspection Staff should cover the transactions falling between the date of last inspection up to the month preceding the month in which the inspection takes place. Cash book should be checked up-to-date. In respect of first audit the local audit party should conduct a general scrutiny of the accounts of the entire period from the inception of the office, supplemented by a detailed audit of two selected months.</p> <p>( Circular OA.1/4-1/64-65/205 dated 20-7-1964).</p>
	<p>The local audit and inspection should be complete and thorough in respect of transactions covered by them. Any failure to bring to light serious irregularities and defalcations which are later discovered by other agencies brings the whole Audit Department into disrepute.</p> <p>In addition to the general scrutiny of the accounts and registers for the entire period, the transactions,</p>

	<p>related to selected months, are to be subjected to such checks as prescribed in CAG's D.O. Lr. No. 770-TA1/117-74 dated 7-9-1974.</p> <p>(CAG's Lr. No. 126-TA/I-206-81 dated 28-1-1982).</p>
	<p><b>(ii) Selection of month for test audit :</b></p> <p>The selection of months for detailed check during local audit is as follows :</p> <p>In respect of annual audits, one month, and for biennial, triennial, quadrennial and quinquennial audits and also for annual audits arranged after 1½ years, two months are selected for detailed check. The month(s) for detailed check will be selected by the Group Officer and intimated to parties at the beginning of the quarter. For the check of arithmetical accuracy(AA Check), another one month in respect of annual audits and two months, in respect of biennial, triennial, quadrennial and quinquennial audits and also for audits arranged after 1½ years in respect of annual audits should be selected by the local audit party with the approval of the Supervising Audit Officer; where available. In the Title Sheet, the parties should indicate after the month(s) selected "Selected by D.A.G." the words "Selected locally by I.O." should invariably be noted after months selected for A.A. check.</p> <p>( Circular No. 8 of OA(HQ)I/GI/4 -1/89-90 dated 29-9-1989 )</p> <p><b>Note :</b> The cash book should also be checked on the lines indicated above.</p> <p>( Circular No. 12 of OA(HQ)I/GI/4-1/89-90 dated 3-11-1989)</p>
	<p><b>(iii) Verification of remittances relating to selected months</b></p> <p>The verifications of remittances during selected month has to be done irrespective of the fact whether the treasury is situated within 8 Kms. or outside 8 Kms. ( vide OA/I/GI/2-47/616 dated 15-10-1977). As per the Manual of Instructions for Restructuring of Cadres ( Annexure 2.9.1) verification of drawals and deposits into treasury with reference to treasury records is to be done by the A.A.O. where there are two A.A.O./S.O. or by the A.A.O./S.O. where there is only one A.A.O. / S.O. This work may not be entrusted to the Auditors.</p> <p>(Circular No. 12 of OA(HQ)I/GL/4-11/89-90 dated 3-11-1989 ).</p>
<b>3.13</b>	<p><b>Papers to be sent for Audit :</b></p> <p>For test audit of offices, the local audit party should be equipped with the following documents :</p> <ol style="list-style-type: none"> <li>i) The previous inspection reports;</li> <li>ii) The statement of points to be examined at local inspection furnished by the OA(HQrs) Section;</li> <li>iii) The list of grants-in-aid and loans relating to the office under inspection furnished by audit section;</li> <li>iv) List of outstanding objections which has been forwarded to the head of the institution concerned direct from the audit section;</li> <li>v) Newspaper clippings for local verification as ordered by the Principal Accountant General (Audit);</li> <li>vi) Necessary reference books, Acts, Manuals, etc.</li> </ol>
<b>3.14</b>	<p><b>(a) Register of documents sent to Local Audit Parties :</b></p> <p>A register in Form VIII of this Manual should be maintained by OA(HQ) Section for watching the prompt despatch of the previous inspection reports, statement of points to be verified in Local audit, the list of contracts and agreements entered into by the office inspected etc. The feeder units/ sections should ensure that the previous inspection reports and other documents are handed over to the unit responsible for transmission to field parties at least one week before the commencement of audit, to enable the despatch of the documents in time. In cases where the previous inspection reports could not be sent to the unit responsible for forwarding the same, the reasons whether it was due to absence of</p>



	<p>outstanding inspection reports, sudden deviation in programme, etc. should be intimated to that unit before the close of each month to facilitate closing of the Register by the 1<sup>st</sup> of next month. The registering clerk of OA(HQ) section should note the date of receipt and the details of documents received back, in a separate register and obtain the acknowledgement of the respective unit while handing over the documents. The unit responsible for maintaining the Register may fill in the appropriate columns therein with reference to these registers.</p> <p>While closing the Register ( Form VIII) the following details may be brought out :</p> <ol style="list-style-type: none"> <li>1. Number of institutions audited in previous month.</li> <li>2. Number of institutions to which previous inspection reports were sent.</li> <li>3. Number of institutions to which previous inspection reports could not be sent. <ol style="list-style-type: none"> <li>(a) Number in which no previous inspection reports were to be sent or no previous inspection reports were outstanding.</li> <li>(b) Number of cases for which previous inspection reports could not be sent on account of sudden deviations etc.</li> <li>(c) Number of cases in which Inspection Reports were omitted to be sent</li> </ol> </li> <li>4. Number of paras communicated.</li> <li>5. Number of paras settled.</li> <li>6. Number of paras pending clearance.</li> </ol> <p>(Circular No. OA.I/GI.74-75/638 dated January 1975).</p>
	<p><b>(b) Obtaining the details of payments made during selected month from treasuries.</b></p> <p>In respect of the programmes drafted by OA(HQ) it was decided that the field parties would collect the details of payments made by the treasuries for the selected months from the list of payments maintained in the treasury in respect of the auditee institutions and check the details with the initial records maintained in the auditee Organisation / Office. The collection of details of payments would be made during the visit of A.A.O. / S.O. of the party to the treasury for check of remittances. This revised procedure came into effect from 1<sup>st</sup> September 1993. The procedure was approved by HQrs. Vide letter No. 762-Audit II/87-88/Vol. II dated 23-7-1993 ( letter No. Co-ordn(Au)I/11-5/Vol.VI dated 12-3-1998 to Shri. P.K. Tiwari, Principal Director (Report State), Comptroller and Auditor General's Office, New Delhi from Shri. M. Deena Dayalan, Accountant General (Audit), Kerala.</p> <p>There should be only one visit to the Treasury for verifying remittances and collecting the details of payments. A statement of the details of payments collected from the Treasury and verified with the initial records, duly authenticated by the A.A.O./ S.O. may be attached to the draft Inspection Report.</p> <p>Authority : OA Cir. No.6 -OA(HQ)I/GI/4-1/93-94 dated 16-8-1993. and OA Cir. No. 8-OA(HQ)I/GI/4-1/2000-01 dated 7-3-2001)</p>
3.15	<p><b>Consulting Government Orders and Dictionary of References :</b></p> <p>Inspecting AAOs / SOs should get from the local offices inspected all important rules and orders issued by the Government in respect of these offices and they should also peruse and take notes from the Dictionary of References maintained at Headquarters whenever they get an opportunity of doing this.</p>
3.16	<p><b>Supervising Officers' duties :</b></p> <p>The Supervising Officer should make it a point to call on the Head of the office and ascertain from him if he has any suggestion for investigation either of any portion of the initial accounts under him about which he entertains any doubt of irregularity or of the processes of these accounts for reducing clerical or accounts work. The Officer will examine such suggestions and also any other matters which come to his notice. Before the conclusion of the inspection he will personally discuss with the head of office concerned the result of his examination and then embody them in a note which will be submitted to the Group Officer ( IC) for suitable further action.</p>
3.17	<p>The Supervising Officer is expected to guide his staff, to do a certain amount of original work and to examine personally with reference to the initial documents all important points raised by the staff. He</p>

	<p>should make an intelligent probe into the initial records to see whether the defective maintenance or non-maintenance of the records is a camouflage to hide fraud or misappropriation.</p> <p>It is essential that in the case of supervised audit the inspection reports should be drafted by the Supervising Officer himself. The items of work attended to by the supervising officer should be stated in the Title Sheet. The report should be drafted by the Supervising Officer in such a manner that it can be issued without further editing.</p> <p>( Cir. No. OA I/17 dated 7-4-1967 ).</p>
<b>3.18</b>	<p><b>Distribution of work among the members of the party.</b></p> <p>(i) The Supervising Officer should distribute the work between the Asst. Audit Officer/ Section Officer, and the Auditors and also indicate the item of work that he has done personally. The distribution of work should be recorded in the inspection file. An additional sheet in the title sheet viz. Individual Work Profile (copy given as Annexure I to this chapter) should be filled up by all and countersigned by the supervising officer in the case of party members.</p> <p>( CAG's Lr. No. 3010/Admn.I/463-60 dated 2-11-1962 and OA.I/4-1/62-63/156 dated 19-12-1962 and Circular No. 1, OA(HQ)I/GI./04-05 dated 26-4-2005)</p>
	<p>(ii) The broad outline of duties and responsibilities allocated to various categories of personnel in inspection parties is given in Annexure 2.9.1 of the Manual of Instructions for Restructuring of cadres in IAAD.(App.VIII). However, when on practical consideration arising from the relevant factors, some changes in the distribution of duties and responsibilities among the members of the party are considered necessary, the Audit Officer or in his absence, the AAO/SO in charge of the Inspection party may make such changes in writing. The revised distribution along with brief reasons therefor should be clearly indicated in a separate sheet attached to the Title Sheet.</p> <p>( OA I /GI/4-1/84-85/269 dated 16-7-1984).</p> <p>According to para 2.9 of the Manual of Instructions for Restructuring of cadres in IA&amp;AD, normally auditors should be able to issue inspection memos and put up notes and separate reports have to be submitted by each auditor, Section Officer ( Audit) and Assistant Audit Officer in an inspection party in the form of material for inclusion in the inspection report based on the actual work done and inspection memos issued by them, taking into account the replies thereto from the departments. These instructions should be scrupulously followed and the separate reports should be handed over in time to the Audit Officer / AAO/ SO in charge of the party for writing the inspection report. If there is no material for inclusion in the inspection report, a 'Nil' report indicating the special reasons if any for not giving any material for inclusion in the inspection report should be handed over to the Audit Officer/ AAO /SO in charge of the party.</p>
	<p>(iii ) To ensure the factual correctness of the points raised in the Inspection memos and also the inclusion of observations in the memos without omissions, the auditor should submit the inspection memos with all files/documents to the Section Officer/ Assistant Audit Officer for verification before their issue to the departmental offices. The Auditors and Section Officer / Asst. Audit Officer should ensure that this is done in all cases without fail. Where the Audit Officer supervising the party is available the AAO/ SO/ Auditor should get the inspection memos prepared by them, approved by the Audit Officer before issue in important cases.</p>
	<p>In cases where the inspection memos have been issued without approval by the Audit Officer ( i.e. before commencement of supervision by Audit Officer) the Audit Officer should call for the office copies of such memos and issue further remarks where he considers it necessary to modify the audit enquiry already issued or to obtain supplementary or other information, clarification etc.</p>
	<p>(iv) According to Annexure to 2.9.1 of Manual of Instructions for Restructuring of cadres in IA &amp; AD (App.VII) the work of verification and disposal of previous inspection reports is assigned to the senior of the two auditors in the case of civil inspection. This does not however relieve the head of the party of his overall responsibility and the extent to which the auditor may be allowed to act on his own has to be decided in each case by the head of the party.</p>

	(v) According to para 1(B) of Annexure 2.9.1 of 'Manual of Instructions for Restructuring of cadres in IA & AD (APP. VII) examination of cash book and verification of drawals and deposits into treasury with reference to treasury records is required to be done by AAO/SO. Where close supervision of the items mentioned in (iii) and (iv) above are needed, in the case of work relating to routine checking of receipts and payments, the assistance of the auditors may be availed of subject to the overall responsibility and supervision resting with the AAO/SO.
	(OA I/GI/4-1/84-85/128 dated 16-5-1984, OA I/4-1/84-85/269 dated 16-7-1984, OA I/GI/4-1/85-86/312 dated 5-8-1985 and OA I/GI/4-1/85-86/652 dated 12-2-1986).
<b>3.19</b>	The Inspecting Officer should personally review all tenders and agreements to see whether the contracts entered into were in accordance with the general principles and whether the contracts have been executed faithfully. He should also see personally the state of accounts in the office inspected especially the Cash Account.
<b>3.20</b>	<p>The Inspecting Officer's work of supervision consists of seeing that all the Accounts Registers, etc. have been audited by the Inspecting staff and that the necessary process of audit has been carried out by them. He should bear in mind the general instructions laid down in para 6.1.2 to 6.1.5 of MSO(Audit) Second Edition-2002 and see that no point of importance has escaped attention during the audit. He will also discuss the important points noticed during audit with the head of the office and endeavour to settle on the spot as many objections raised during audit as possible as well as the outstanding points from the previous inspection reports.</p> <p>Where it becomes necessary to discuss with the Head of the Office inspected, any matter arising from audit scrutiny or any difficulty in getting the records, replies and facilities for conducting audit, such discussion may be held by the supervising Audit Officer if he is available or in his absence, by the senior Asst. Audit Officer/ Section Officer of the party.</p> <p>( OA(HQ)I/GI/4-1/84-85/269 dated 16-7-1984 ).</p>
<b>3.21</b>	<p>It should be recognised as one of the primary duties of the inspecting officer to report to the Accountant General separately and immediately anything really serious or important which comes to light in the course of his inspection without waiting to include them in the inspection report. Such interim reports may be shown in the first instance to the head of the office inspected for his comments.</p> <p>As soon as the audit of each institution is over, the Audit Officer ( if he is present on the last day of audit of the institutions or else the senior Asst. Audit Officer/ Section Officer) should send a special report to the Accountant General by name, in case any important points have been noticed in audit which can be developed into draft paragraphs. The receipt of the report will be watched by Secretary to the Accountant General. A copy of the report should also be simultaneously sent to the concerned Group Officer.</p> <p>By the 10<sup>th</sup> of each month, every Audit Officer who has been on field duty for any part of the previous month should send a brief report to the Accountant General by name mentioning the audits supervised by him during the previous month, the important points noticed in audit, the members of the party who have contributed them, the problems faced by him in field duty and the steps he considers necessary for dealing with such problems and improving the quality of local audit/ inspection work, etc. The reports will be kept in the Accountant General's Secretariat and will inter-alia be utilised for making assessment of the quality of the local audit/ inspection work done.</p> <p>( Vide orders of PAG dated 15-6-2005 communicated in PAG(Aud)/Sectt./Br.Tr No.104 dated 27-6-2005).</p> <p>Subject to the exigencies of local audit/inspection programme each Audit Officer should, as far as possible, meet the Accountant General at Thiruvananthapuram ( or at his camp station) once in a quarter and give him a personal appraisal of the local audit/ inspecting work supervised by him (Audit Officer).</p> <p>( Co-ordn(Au)/15-3/84-85/290 dated 23/8/1984).</p>

3.22	<p>Certain instances of defalcation of money in the accounts of an institution relating to collection of fines and licence were brought to light. On investigation of the matter it was noticed that the defalcations were rendered possible not due to any defect in the rules but for want of supervision and check of the accounts. The amounts realised should have found a place in the connected registers, but it was noticed that the registers were not page numbered and certified to that effect as required by rules and the sheets were torn. Had the register been page numbered and certified it would not have rendered the defalcation possible. The inspecting officer should therefore, see that the rules regarding maintenance of registers etc. are strictly observed by the institutions which they inspect.</p> <p>(Office Order No. TM 5-133/104 dated 23-3-1956 and TM Endt. No.5 - 133/ 1924 dated 10/11/1956 ).</p>
3.23	<p>It is essential for audit to comment on the state of records maintained in the office inspected. Defective records may conceal embezzlement, serious misappropriation of funds and prevent the department from taking timely action to recover the amounts due to Government.</p>
3.24	<p><b>Documents connected with defalcation and fraud :</b></p> <p>The responsibility of Audit Department would be over by taking note of the documents in question and bringing the matter to the notice of the superior departmental authorities. Accordingly, it would not be necessary for inspecting parties to bring the documents relating to cases of suspected frauds to Headquarters for taking Photostat copies. Steps should however be taken to ensure that all case of suspected frauds that came to the notice of an inspection party during local audit and details of particular documents on the basis of which fraud is likely to be established are promptly brought to the notice of next superior authority and wherever necessary to the Head of the Department. Details of these cases should be kept on record in Audit Office and action taken by the departmental officers watched in the usual manner.</p> <p>(H.Qrs. D.O. No. 684-TA.I/164-75/ dated 2-8-1976 ).</p>
3.25	<p><b>Interrogation of staff of the office of the Accountant General (Audit) by police in connection with cases of defalcation / embezzlement.</b></p> <p>Members of O.A. Parties and Audit Officers, in case they receive any communication from police officials in respect of any official matter, should invite the attention of the police to I.G.'s Circular dated 11-10-1975 and request them to refer the matter to the Accountant General (Audit), Kerala by name when the defalcation relates to Treasuries and Commercial institutions, to the Group Officer (IC) when the defalcations relate to civil offices, to the Group Officer (Works), Thrissur when the defalcation relates to PWD offices and Forest Offices, to the Group Officer (Central) when they relates to Central Government Offices and simultaneously seek instruction from the main office regarding action to be taken. They are advised not to give statements/ evidence before the police officer without proper instructions from Main Office.</p> <p>For further details, para 6.16 of Manual of General Procedures may be referred to. ( Cir. No. OA(HQ)/GI/ dated 3-2-1986).</p>
3.26	<p>(a) <b>Entry Meeting.</b></p> <p>On the first day of audit itself the Audit Party members should have an 'entry meeting' with the Head of Office to inform of the audit plan and also of the records and documents required and to request the head of office and other officers and staff to be available in the office throughout the period of audit. Minutes of the 'entry meeting' should be documented and should form part of the inspection report papers.</p> <p>( Circular No. PAG(Aud)/Secy/IR Review dated 15-3-2004).</p>
	<p>( b) <b>Report of commencement of Audit.</b></p> <p>The Director of Inspection has pointed out that there is no provision for sending an intimation to the headquarters controlling section in office on the first day of audit, that the audit of the unit had been</p>

	<p>taken up as per approved programme, inter-alia intimating the name of the Head of the auditee unit, their telephone number, telephone number at which the audit party can be contacted in case of urgency for any official or domestic need and that all the members of the party had reported. All inspecting officer/ field parties are therefore directed to fax a report regarding commencement of audit indicating the above details to the concerned section in Headquarters on the first day of audit. The Headquarter Section should also strictly watch the receipt of the report through Performance Register of field parties.</p> <p>( Vide orders of PAG on 13-1-2005. Circular No. PAG(Au)/Sectt/ 13-1-2005).</p> <p>The report of commencement of audit may be sent to headquarters section by post if no fax facility is available at the office of duty.</p> <p>( Vide order of PAG dated 30-3-2005 - Note No. PAG(Aud)/Sectt dated 31-03-2005)</p>
<b>3.27</b>	<p><b>Attitude of Inspecting staff :</b></p> <p>Auditors while not deviating in any manner from their duty, should be careful to avoid any misunderstanding or friction with the local officers with whom they come into contact. Their attitude should be that of one who has come to assist and not merely to criticise. They will invariably receive full co-operation from local officers if they avoid frivolous objections and convince the officers by the manner in which they go about their work that they are not there to complicate the procedure but to simplify it. They should bear in mind that unnecessarily meticulous and badly expressed objections not only bring discredit to Audit and cause annoyance to the local officials but also increase the work at both ends. The inspecting staff should therefore, maintain a strictly detached, dispassionate and technical attitude in the day to day conduct of their work. Nothing should be done to hamper the evolution of the complimentary roles of Audit and administration, either by the use of extravagant language or by the attitude that Audit alone is the keeper of nation's financial conscience.</p> <p>( CAG's D.O. Lr. No. P.5-588/56 dated 23/10/1956.)</p> <p>Members of the inspection parties should scrupulously avoid accepting hospitality of officials of the departments they are inspecting as, such acceptance is against official decorum and brings discredit to the audit department as a whole.</p>
<b>3.28</b>	<p>Inspecting Officers should not, however, make suggestions asking the officers to maintain registers and records other than those prescribed or to dispense with any prescribed registers. They should not also hold out any assurance of their own to the offices inspected. They should be more circumspect when discussing with departmental officers and should advise only in minor cases where no detailed examination of the issues is necessary. Substance of the advice so tendered should be included as a brief note in the inspection report for the information of the headquarters office.</p>
<b>3.29</b>	<p><b>Attendance Register :</b></p> <p>The Asst. Audit Officer/ Section Officer of each inspection party is supplied with an attendance register wherein he and members of the party should mark their daily attendance. This register should be submitted to the Supervising Officer when he visits the party.</p> <p>The attendance register of each field party should be duly closed and forwarded to OA(HQrs) on or before 31<sup>st</sup> January of the succeeding year for review/checking the Weekly Diaries/Leave account and for checking by ITA Section.</p> <p>( Circular No. 13 of OA(HQ)I/2005-06/ dated 29-12-2005).</p>
<b>3.30</b>	<p><b>Availing of holidays</b></p> <p>The inspecting staff must attend the office which they inspect during its regular office hours. They may observe while inspecting the State Government offices, the holidays specified in their tour programme, provided the state of their work permits them to do so.</p> <p>In the event of declaration of holiday by the State/Central Government all the audit parties and supervising officers should adjust the day lost due to the declaration of a holiday at the institution where</p>



	<p>the party is stationed or at the next institution positively. If the holiday declared falls during the audit of an institution for which only one day is allowed, the audit of that institution may be cancelled and if it falls on a transit day the holiday declared may be availed as transit. The mode of adjustment should simultaneously be intimated to OA(HQ) and OE Sections concerned on the day succeeding the holiday.</p> <p>(Orders of Sr.DAG(I&amp;W) dated 2-1-1975 . Cir. No. OA(HQ)I/2/Holiday/74-75/1089 dated 9-1-1975.)</p>
<b>3.31</b>	<p>No member of the inspection staff should leave the place of halt without the prior permission of the Group Officer (IC). If they do so they will be treated as absent from duty without leave. When, however, a member of the inspecting staff is forced to leave his place of halt for very strong and urgent reasons, he should report the fact immediately to the Group Officer (IC) explaining the circumstances which required his absence from the place of his inspection or halt in anticipation of formal orders.</p> <p>The officers and staff on field duty should make it a point to carry out the work allotted to them to the best of their abilities, observing punctuality and regularity in attendance.</p> <p>(Co-ord (Au) 15-3/84-85/290/23-8-1984)</p>
<b>3.32</b>	<p><b>a) Extension of period of local audit.</b></p> <p>i) If extension of time was found necessary for any reason by the local audit party a report to this effect should be sent by the party to OA(HQrs) on the first or second day for such extension. No extension should be availed without prior permission. If adequate time was not available for getting prior permission, OA(HQrs) should be contacted over phone and approval obtained. Further, if extension of time was taken for completion of audit of any institution, the period extended should be adjusted in the audit of subsequent institutions.</p> <p>(Cir. OA(HQ)I/GI/4-1/84-85/163 dated 30-5-1984)</p> <p>ii) Approved tour programme should not be deviated without prior approval of HQrs Section (Orders of Accountant General communicated in Cir. No. Au/Admn V/GI/94-95/ dated 23-6-1994)</p> <p>iii) After arriving at a particular office, in some instances, Inspecting Officers are forced to wait for the arrival of the party for some days , may be due to extension taken by the party at previous institutions without intimating OA(HQrs). In order to avoid such a situation, all the Inspecting Officers are directed to report to OA(HQrs) the absence of any audit party, on the first day of supervision itself so that alternate arrangements can be made by OA(HQrs)</p> <p>(Cir. No 4 of OA(HQ)I/GI/4-1/93-94/dated 15-7-1993.)</p>
<b>3.33</b>	<p><b>Grant of casual leave and restricted holidays.</b></p> <p>(1) Casual leave or restricted holidays should normally be availed of by members of inspection parties only after obtaining sanction. The casual leave/restricted holiday to members of civil OA parties will be sanctioned by the Branch Officer OA(HQrs)I. on the basis of recommendation of the supervising officer .If any change of programme or alternative arrangement is necessary by granting such leave to inspecting AAOs/SOs, the orders of Group Officer(IC) should be obtained. The casual leave register is to be maintained in OA(HQrs) Section . The parties should also maintain a casual leave register for their reference. Casual leave/restricted holiday to Audit Officers supervising the parties will be sanctioned by the Group Officer.</p> <p>(Cir.CA/Ins/21-97/304 dated 17-8-1964 and orders of DAG(W), DAG(OA) case WM/15-234/64-65)</p> <p>The following instructions should also be noted for strict compliance:-</p> <p>i) Members who desire to proceed on earned leave, casual leave or restricted holiday should send their application to the sanctioning authority sufficiently in advance, duly recommended by the appropriate authority. Under no circumstances should they absent themselves before getting their leave sanctioned by headquarters.</p> <p>ii) In emergent cases, where absence without prior sanction becomes inevitable, permission of supervisory officer/AAO/SO as the case may be should be taken in advance and sufficient proof or justification warranting such an action furnished along with their applications. For instance, leave applied for on medical grounds should be supported by a medical certificate obtained from an</p>

	<p>Authorised Medical Officer.</p> <p>(Cir.No.OE(Admn.)/IV/16-28/Vol. dated 17-11-1973 ).</p> <p>NOTE : Except in unforeseen and emergent cases, leave should be got sanctioned in advance and in cases of emergencies there should be an intimation to the headquarters followed by a proper application. The details of leave should be marked in the attendance register by senior most member of the party immediately on receipt of application or intimation regarding absence.</p> <p>( Orders of AG, Circular No. Au/Admn.V/GI/94-95 dated 23-6-1994).</p> <p>iii) While recommending leave to an auditor / Sr. Auditor or applying for leave by an AAO/SO, the senior AAO of the party should ensure that no extension of time is sought for completing audit of an institution. If at all any extension is required under exceptional circumstances, the period extended should be adjusted in subsequent institutions. Similarly, leave should be availed in such a manner that no scheduled programme of audit is cancelled and in no case, all the members of the audit party should avail leave simultaneously, resulting in cancellation of audit of an institution.</p> <p>( Cir. No. OA(HQ)I/GI/4-1/84-85/163 dated 30-5-1984).</p> <p>NOTE : In order to avoid delay in transmission of applications for leave submitted by the local audit staff the applications should be sent in a separate cover addressed to the Audit Officer. OA(HQ)I or AAO/SO, OA(HQ)I as the case may be.</p> <p>( Cir.No. OA I/Prog.II/244 dated 24-5-1975).</p>
3.34	<p><b>Submission of weekly diaries :</b></p> <p>The diary indicating the details of work done each day by each member of the local audit parties should be maintained in Form Sy.324(Form No. XIV) The AAO/SO should see that all the columns of the diary are filled in properly and written up daily in such a manner that the responsibility for each item of work done can be definitely fixed on the person concerned.</p> <p>The diary of all members of the party should be submitted to the Audit Officer when present to enable him to see that the necessary checks have been exercised and that the out-turn is satisfactory and should be attested by the Audit Officer. Wherever there is no supervision, the diary of the Auditor/Sr. Auditor should be attested by the SO/AAO. Unattested entries will not be accepted and the person concerned will be treated as absent on these days.</p> <p>Extracts of the diary should be sent by the Inspection Parties to OA(HQrs) section through the Supervising Officer when the duration of local audit exceeds seven working days. These extracts should be got approved by the Supervising Officers before they leave the camp. (Where no Sr.AO/AO supervises the work of the party, these extracts may be sent direct). The extracts should be scrutinised by the Audit Officer OA(HQrs) and submitted to the Group Officer.</p> <p>NOTE : Weekly tour diaries should be forwarded to headquarters on the last day of week to which it relates so as to reach headquarters on first week day of following week.</p> <p>( CAG's Lr. No. 173-O&amp;M/12-75/1/ dated 24-9-1975 and order of AG - Circular No. Admn.V/GI/94-95 dated 23-6-1994).</p>
3.35	<p><b>Submission of charge reports :</b></p> <p>i) The reports of handing over of charge of AAOs/Sos in charge of OA Parties should be prepared in triplicate in the prescribed formats. One copy each is to be retained by the relieving officer and relieved officer and the third copy forwarded to the Audit Officer OA(HQ) who will bring important points if any to the notice of the Group Officer. The triplicate copy is to be filed thereafter in a separate file in OA(HQrs).</p> <p>( Endt. No. Estt/V/7-3 dated 6-8-1984).</p>

	<p>ii) The AAO/SO in charge of the party should maintain a Register of books and files which should be handed over to the successor. The report of handing over charge of AAO/SO should interalia indicate the following :</p> <ol style="list-style-type: none"> <li>1. State of work showing the extent to which the inspection has been carried out in the institution.</li> <li>2. Particulars of files etc. received from OA(HQ) section.</li> <li>3. List of confidential files handed over.</li> <li>4. List of other files and registers.</li> <li>5. List of books ( Codes, Manual etc.).</li> <li>6. List of secret books.</li> <li>7. File containing directions from Headquarters Sections(Vide.Para 2.05)</li> <li>8. Balance of permanent advance with vouchers.</li> <li>9. Balance postage stamps with stamp account.</li> </ol> <p>( Cir. No. OA I/ 4-1/66-67 dated 25-10-1966 ).</p>
3.36	<p><b>Objections and Audit Query statements.</b></p> <p>Before an objection is raised the connected papers relating to the transactions, which form the subject of the objections, available in the office inspected should be perused. A study of these papers will help in the drafting of the objections with proper emphasis on different aspects of the transactions. As far as possible, enquiry slips should be avoided for getting information which can be obtained from the office personally. Full particulars should be gathered before the issue of preliminary audit memo so that there may not be much difference between the preliminary audit memo (which should be self contained) and the final paragraphs which will vary from the preliminary slips to the extent they are affected by the replies of the department. The work of inspecting Section Officer / AAOs will be judged by number of final paragraphs and not by the number of objections slips issued.</p>
3.37	<p>The initial enquiries and objections should not contain instructions to be followed in future. Instructions, wherever necessary, should be embodied in the Inspection Report or audit note after examining the explanation given for omissions, errors and lapses.</p>
3.38	<p>If a really flagrant case of irregularity is detected it should be investigated with utmost care and set out in such details as to ensure that the gravity of the breach of rule is clearly brought to the notice of the superior authority so that the audit office may be in a position to press the matter for proper action.</p>
3.40	<p><b>Issue of audit query statements :</b></p> <p>The Inspecting Officers and the parties are to take adequate care in the preparation and drafting of inspection memos and draft inspection reports. The supervising Audit Officer should make independent scrutiny of the case sought to be commented upon by the other members of the audit party in the inspection memos prepared/issued by them and ensure that the more important audit observations are not diluted or excluded or minor ones highlighted due to lack of experience or otherwise of the members of the party.</p> <p>( OA I/GI/4-1/87-88 dated 12-5-1987 ).</p> <p>The Inspecting AAO/SO will record all objections as disclosed by audit on the prescribed audit query statement. Audit Officer will have the discretion to permit individual members to draft memos themselves and see them after issue in due course or to stipulate that the memos may be issued only with his approval. As the Audit Officer is responsible for the efficiency of the inspection as a whole, it is enough if the memo is approved by him for issue and ensured that the observation is in order. The inspecting officer should always keep himself posted with the progress of audit and the observations that have been communicated to the office inspected. Please see Para 3.18(iii) also.</p> <p>( Para 6-1-8 of MSO(Audit), Second Edition 2002 ).</p> <p>The query statement should be issued as soon as it is written up and not in lump towards the close of</p>



	<p>the inspection. Each page completed should be numbered serially and made over to the head of office or the chief ministerial officer subordinate to him and his dated acknowledgement obtained on the duplicate.</p> <p>The Audit Enquiries should be serially numbered and <b>dated</b> and should be indexed in the AE Docket in the following Proforma</p> <p style="text-align: center;"><b>LIST OF AUDIT ENQUIRIES ISSUED</b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">AE No /Date</th> <th style="text-align: center;">Subject</th> <th style="text-align: center;"><b>Dated</b> Acknowledgement</th> <th style="text-align: center;">Date of receipt of reply</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">2</td> <td style="text-align: center;">3</td> <td style="text-align: center;">4</td> </tr> </tbody> </table> <p>( Order of AG, Cir. No. Au/Admn.V/GI/94-95 dated 23-6-1994 and Circular No.17 - OA(HQ)I/I/GI/2005-06 dated 13-3-2006)</p>	AE No /Date	Subject	<b>Dated</b> Acknowledgement	Date of receipt of reply	1	2	3	4
AE No /Date	Subject	<b>Dated</b> Acknowledgement	Date of receipt of reply						
1	2	3	4						
3.41	<p>Every effort should be made to get back promptly the audit query statements with the replies of the head of office inspected. The Draft Inspection Report should in no case be delayed due to non-receipt of replies to the preliminary audit observations issued to the departmental officers. The preliminary audit observations issued to the departmental officers are mainly intended to convey the defects/irregularities etc. observed by the audit party and to give an opportunity for the head of the office to offer reasonable explanation for the omissions and lapses. There is no point for the audit party in waiting for a reply from the departmental officer for drafting the reports as it is primarily the responsibility of the departmental officer to satisfy the audit by way of furnishing replies to the audit observations and if they fail, the points find a place in the report and the department has to give a reply later. The audit party should impress this upon the heads of offices at the outset and tell them to furnish replies to audit query statements as and when received. Audit Officers in the course of their inspection should also impress upon the heads of offices the necessity of returning the audit query statements on the same or the next day. If the replies are not received promptly the fact should be brought to the notice of the head of office and the result reported to the Group Officer (IC) in a separate note along with the draft inspection report and test audit notes. The Group Officer (IC) will report the matter to the Secretary to Government of the Department concerned and the Secretary to Government, Finance Department if he considers necessary.</p>								
3.42	<p><b>Audit evidence :</b></p> <p>Competent, relevant and reasonable evidence should be obtained to support the auditor's judgment and conclusions regarding the Organization, programme, activity or function under audit.</p> <p>Since auditors seldom have the opportunity of considering all information about the audited entity, it is crucial that the data collection and sampling techniques are carefully chosen. Auditors should satisfy themselves that the data, including computer-based system data, are reliable and relevant.</p> <p>Auditors should have a sound understanding of techniques and procedures such as inspection, observation, enquiry and confirmation, sufficient to reasonably detect all quantitatively material errors and irregularities and to collect audit evidence. The evidence should be competent, relevant and reasonable.</p> <p>Auditors should adequately document the audit evidence in working papers, including the basis, extent of the planning, the work performed and the findings of the audit to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditor's significant findings and conclusions.</p> <p>(Auth: Para 3.5.1 to 3.5.5 of Auditing Standards of INTOSAI)</p> <p>The Supervising officer and the members of the OA party should bear in mind the above provisions while taking an audit point for inclusion in the inspection report.</p>								

3.43	Whenever satisfactory explanation is not forthcoming and the Inspecting Officer feels that the points raised by him are so important that they may ultimately find a place in Audit Report to be submitted to the legislature, he should take particular care to collect all relevant information and also to take attested copies of those documents which are likely to be useful in pursuing the matter with their higher authorities.
3.44	While editing draft paragraphs for the Report the Accountant General/Comptroller and Auditor General's office often detects certain missing links in the facts and arguments set forth in the original inspection report on which the paras are based. The information required cannot be obtained except by reference to local records ; with the result that the draft paragraphs have to be either abandoned or their consideration postponed for an indefinite period. Such a situation will not arise, if the inspecting officers exercise adequate attention in this regard.
3.45	No objection should be dropped without the specific written orders of the officer-in-charge of the party. The officer-in-charge of the party should not accept replies as "noted", " being attended to " etc. from the office inspected. He should encourage the head of the office to give suitable explanations for omissions and errors so that they are rectified as far as possible at the time of inspection.
3.46	If the replies to the audit queries are incomplete or inadequate, the pages concerned should be made over again to the local officer who furnished the reply with a request for their immediate return with further remarks to clarify the points.
3.47	In settling minor audit queries and objections during the course of inspection, the inspecting officer should hand over to the head of office the duplicate copy of the objection statements to enable the latter to keep a record of his replies and the action that he should take.
3.48	<p><b>Departmental Inspection Reports and their utilisation</b></p> <p>As the reports of the departmental officers, will give the inspection parties an idea of the defects and irregularities noticed by the department and the instructions issued by the department from time to time, the OA parties should scrutinise these reports at the time of the audit of such institutions and utilise the information after verification, for the purpose of their audit. No comments should however, be included in the report on the orders of the departmental authorities without taking the specific orders of the Central Office and such points should be referred to in the form of a separate note.</p>

**3.49 Internal Control System in Government departments.**

(1) The functioning of any organization or entity is based on a system which is an orderly arrangement of separate but interdependent and interacting activities and related procedures which implement and facilitate the performance of an organization. The system, among other things should also consist of appropriate controls, checks and balances to safeguard against errors, frauds, etc. The existence of an adequate system of internal control minimizes the risk of effort and irregularities.

The entity should adopt sound practices like locked store rooms with access restricted to authorised persons only, surprise physical verification of cash, bank reconciliation by independent persons, payments after pre-check, institution of checks to see that transactions are properly authorised, dual custody of valuable negotiable assets, independent periodic verification of the existence of recorded material resources, etc.

Internal Control is a process established by the management to provide reasonable assurance regarding the achievement of objectives in the areas of effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable rules and regulations. The components of internal control include risk assessments, accounting information, control activities and monitoring.

Internal audit and internal control mechanism are integral parts of the administration that carries out the basic internal audit functions for the management. Unlike statutory audit, it is not independent of the management control and hence debilities in the internal audit system would have to be seen as debilities in the administrative accountability structure.

Therefore, while evaluating the Internal Audit system of a department, the audit scrutiny should be focused on effectiveness of the system in enforcing the adherence to various control measures envisaged in the Rules and Regulations, Codes, Manuals, etc. Some parameters are suggested below :

- Organization of Internal audit functionaries, independence enjoyed by the Internal Audit wing;
- Internal Auditing standards set by the Government;
- Responsibilities and Duties of Internal Audit organization
- Training of audit personnel;
- Planning of Internal Audit – Whether based on risk-indicators corroborated through risk analysis
- Adequacy of coverage and periodicity of the audit;
- Inspection Reports issued by Internal Audit, timeliness of responses to the audit observations and volume of pendency (analyzed year-wise for five years);
- Pendency in Internal Audit coverage;
- Overall effectiveness of Internal Audit in terms of:

1. Departmental compliance to internal audit observation;

2. Systems corrected at the instance of Internal Audit;

3. Recourses and penal actions undertaken at the instance of Internal Audit; and

4. Quality checks exercised – Evaluation of the parameters.

- Special Audits done by Internal Audit wing and their outcome.

Greater effectiveness of internal audit by implication would ensure greater efficiency of administration and consequently would attract lesser criticism from statutory audit systems and procedures would be corrected on an ongoing basis, providing a concurrent support system to administration.

The auditor, in determining the extent and scope of audit, should study and evaluate the reliability of internal control. The study should be carried out according to the type of audit undertaken.

In the case of regularity (financial) audit, study and evaluation should be made mainly on controls that assist in safeguarding assets and resources and assure the accuracy and completeness of accounting records.

In the case of regularity (compliance) audit, study and evaluation should be made mainly on controls that assist management in complying with laws and regulations. The auditor should design audit steps and procedures to provide reasonable assurance of detecting errors, irregularities and illegal acts that could have a direct and material effect on the financial statement amounts or the results of regularity audit.

The study and evaluation in respect of performance audit should be on controls that assist in conducting the business of the audited entity in an economic, efficient and effective manner ensuring adherence to management policies and producing timely and reliable financial and management information.

Those planning the audit should be knowledgeable of the compliance requirements that apply to the entity being audited. The auditor should be alert to situations or transactions that could be indicative of illegal acts that may indirectly impact the results of the audit. When audit steps and procedures indicate that illegal acts have or may have occurred, the auditor should determine the extent to which these acts affect the audit results.

The auditor should exercise due professional care and caution in extending audit steps and procedures relating to illegal acts so as not to interfere with potential future investigations or legal proceedings.

In designing steps and procedures to test or assess compliance with laws and regulations by the audited entity, auditor should evaluate the entity's internal controls and assess the risk that the control structure might not prevent or detect non-compliance. The changes and improvements in the internal control system made by the management when there have been previous instances of fraud and corruption or in response to changes in the auditee environment should be particularly studied and evaluated during

	<p>audit.</p> <p>Where accounting or other information systems are computerized, the auditor should determine whether internal controls are functioning properly to ensure the integrity, reliability and completeness of the data.</p> <p>(Auth: INTOSAI – Guidelines for Internal Control Standards for Public Sector)</p> <p>Auditors should report deficiencies in internal control specially those of the following nature.</p> <ul style="list-style-type: none"> <li>§ Absence of appropriate segregation of duties consistent with appropriate control objectives.</li> <li>§ Absence of appropriate reviews and approvals of transactions, accounting entries or systems output.</li> <li>§ Inadequate provisions for safeguarding of assets.</li> <li>§ Evidence of failure to safeguard assets from loss ,damage or misappropriation.</li> <li>§ Evidence that a system fails to provide complete and accurate output consistent with the auditee’s control objectives because of the misappropriation of control procedures.</li> <li>§ Evidence of intentional override of internal control by those in authority to the detriment of the overall objectives of the system.</li> <li>§ Evidence of failure to perform tasks that are part of internal control, such as reconciliation not prepared or not timely prepared.</li> <li>§ Absence of sufficient level of control consciousness within the organization.</li> <li>§ Significant deficiencies in the design or operation of internal control that could result in violations of laws and regulations having a direct and material effect on the financial statements; and</li> <li>§ Failure to follow up and correct previously identified deficiencies in internal control.</li> </ul> <p>(Auth: Para 10.1 of the Auditing Standards)</p> <p>When auditors detect deficiencies in internal control that are not of material nature, they should communicate those deficiencies to the auditee, preferably in writing. If the auditors have communicated other deficiencies in internal control to top management, they should refer to such communication when they report on internal control. All communications to the auditee about deficiencies in internal control should be documented in the working papers.</p> <p>Auditors are required to report whether satisfactory action was taken or not, on the audit reports.</p> <p>(Auth: Para 10.4 of the Auditing Standards)</p>
	<p>(2) The Audit parties auditing major institutions like Government Secretariat, Directorates and district level offices may fill up the questionnaire ( specimen given in the Annexure-II to this chapter ) and include a paragraph in the inspection report on the internal control environment of the institution after evaluating the replies on the basis of the questionnaire. Audit parties auditing smaller institutions need not send the questionnaire answered but include a paragraph in the inspection report on the system available in the institution.</p> <p>( 1. Vide orders of PAG dated 27-10-2003 2. Circular No. 10 dated 6-11-2003 , OA(HQ)I/GI/ICM/03-04/ )</p>
<b>3.50</b>	<p><b>Settlement of previous inspection reports :</b></p> <p>Opportunity should be availed of at the subsequent inspection of the same office in order to verify the replies of the department and /or to re-examine the points more thoroughly taking into account the later developments as well. All points in the previous inspection reports which have been marked for the next audit should be examined. If the points have been settled since the last inspection, this should be recorded by inspecting AAO/SO in the covering note forwarding the inspection report over his initials.</p>
<b>3.51</b>	<p>It should be seen that defects reported in previous inspection reports and objection statements have</p>

	<p>been remedied as promised in the replies either by production of the required documents etc. or by the recovery of over payments, or by the adoption of the procedure suggested. Further correspondence, if any, on the replies to the notes should also be gone through with a view to seeing how the various matters referred to were actually settled. In all cases where the promised action has not been taken, attention should at once be drawn to the matter and in cases of recoveries or missing documents the office should be given every opportunity for effecting recoveries or supplying the omissions before the completion of audit. If however, the promised recoveries have not been effected and the documents required etc. have not been produced by the time the audit is completed, the fact should be clearly mentioned in the report with a brief description of the nature of the receipt or charge. Should, however, the action needed relates only to procedure, it would ordinarily suffice ( unless the matter is of great importance) if attention is drawn to the notes with such additional remarks as are called for. In the case of inspection reports which revealed serious irregularities in the last audit, the action taken by the responsible authorities should particularly be watched. If no action has been taken or the results are unsatisfactory, the matter should be reported separately to the Group Officer (IC).</p>																		
3.52	<p>OA(HQrs) section will send all the outstanding inspection reports pertaining to the institutions to be inspected to the inspecting party for being settled locally, to the extent possible. The section dealing with the inspection report should examine in detail all important points before sending the files for reference at the time of subsequent inspection of the offices concerned and direct the audit parties under the orders of Group Officer ( IC) on the lines on which the points should be further examined on the spot. The idea is, once a serious irregularity is brought out it should be possible to prepare draft paras straight away. In case some information is still wanted and it is not possible to collect the information quickly by correspondence, then it should be collected on the spot so that the paras can be finalised at least soon after the next visit of the audit party to the offices.</p>																		
3.53	<p>The Inspecting Officer will return the reports to OA(HQrs) section with a verification memo in Form IX indicating the action taken on the outstanding paras in the report along with the current inspection report and a statement in Form B shown below :</p> <p style="text-align: center;"><i>Form B</i></p> <p>1) Name of office inspected : .....</p> <p>2) Name of section in Central Office which attends to the inspection reports of the institution : .....</p> <table border="1" data-bbox="316 1263 1437 1514"> <thead> <tr> <th colspan="2">Details of Inspection Reports reviewed by the party</th> <th>No of Paras pending in the Report</th> <th>No of Inspection Report/Paras cleared at the time of local audit</th> <th>Balance of Inspection Reports and Paras</th> <th>Remarks</th> </tr> <tr> <th>Sl.No.</th> <th>Year and Period</th> <th></th> <th>IR Para</th> <th>IR Para</th> <th></th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>In respect of each outstanding paras the parties/ Inspecting Officers should indicate :</p> <ol style="list-style-type: none"> <li>(i) The development of the case since last audit.</li> <li>(ii) Whether in the light of the developments, the para/objection can be dropped, and if not, a comprehensive para has been proposed for the current report so that headquarters section can consider whether the para can be dropped.</li> <li>(iii) Whether in the light of subsequent development, the irregularity is fit for comment in Audit Report. If so, copies of all related correspondence/documents should be furnished to headquarters section along with the draft of the para to enable headquarters to process further and finalise it.</li> </ol> <p>The OA (HQrs) Section will check the inspection reports with the statement, consolidate the reports received from the inspecting parties and submit a report to the Group Officer on the prescribed date of each month along with the statement in Form B and a review indicating the number of reports closed and the number of paragraphs settled during local audit.</p> <p>( O.O. TM- 4-33/74 dated 25-2-1957 ; TM 4-35/24 dated 22-5-1957 , Cir. No. OA.I/4-1/64-65/204</p>	Details of Inspection Reports reviewed by the party		No of Paras pending in the Report	No of Inspection Report/Paras cleared at the time of local audit	Balance of Inspection Reports and Paras	Remarks	Sl.No.	Year and Period		IR Para	IR Para							
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	dated 21-7-1964 and Cir. OA/GI/4-1/81-82 dated April, 1981 ).																																														
<p><b>3.54</b></p>	<p><b>Items of work in addition to the usual audit :</b></p> <p><b>Clearance of outstanding objection pertaining to audit sections :</b> - When the local audit of an institution is proposed to be taken up, the IAU section concerned will examine the objection books and make out a list of all objections outstanding in respect of that institution. This list should be prepared in the prescribed form Sy.SPL./K.38 and forwarded demi-officially to the Head of the Office to be inspected, so as to reach him at least a week before the date of commencement of inspection. The Head of office may be requested to examine the objections and keep all relevant records ready for verification by the local audit party. ( A copy of the covering D.O. Letter should be endorsed to local audit party). The Supervising Officer/AAO/SO should record his remarks as a result of discussion and verification in the relevant column of the statement with specific recommendations, whether the objection can be admitted or not. It is not enough if the inspecting parties merely transmit the lists along with replies of the departmental officers, without factual verification. If the lists forwarded by the Central Office contain any item for which reply has already been furnished by the office inspected, such item should be specifically reported. After verification, the local audit parties should send back the statement of objections along with their remarks to the concerned sections and attach a statement in Form A shown below to the Inspection report sent to OA(HQ)rs.</p> <p style="text-align: center;">FORM A</p> <p>Name of office inspected.....</p> <p>Name of Section in Central Office which attends to the audit of the institution.....</p> <p>.....</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2">Year</th> <th colspan="2">Objns Communi- cated</th> <th colspan="2">Objn cleared</th> <th colspan="2">Balance</th> <th rowspan="2">Remarks</th> </tr> <tr> <th>No</th> <th>Amt</th> <th>No</th> <th>Amt</th> <th>No</th> <th>Amt</th> </tr> <tr> <th>1</th> <th>2</th> <th>3</th> <th>4</th> <th>5</th> <th>6</th> <th>7</th> <th>8</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table> <p>.....</p> <p>Place Date</p> <p style="text-align: right;">Signature of Inspecting AAO/SO</p>	Year	Objns Communi- cated		Objn cleared		Balance		Remarks	No	Amt	No	Amt	No	Amt	1	2	3	4	5	6	7	8																								
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<p><b>3.55</b></p>	<p>On receipt of the statement from the parties, OA(HQ) Section should send the list to the Branch Officer of the Section concerned for further action.</p>																																														
<p><b>3.56</b></p>	<p>If the objections cannot be settled locally, the Supervising Officer/AAO/SO will state the reasons or his inability to settle the objection. If records are not produced, or if the Office staff of the department is non-co-operative or indifferent, the fact should be specifically indicated so that OA (HQ) Section can take up the matter at appropriate level.</p>																																														
<p><b>3.57</b></p>	<p><b>Quarterly conference of field parties</b></p>																																														
	<p>As per directions contained in the Headquarters Office letter No. 106-O&amp;M/1-93 dated 26-2-1993, a conference of supervising officers and members of field parties is conducted in every quarter to improve efficiency and functioning of the parties and also to obtain first hand information on the state of work. The meetings are to be duly minuted to form an authenticated record for reference during future meetings.</p>																																														



<b>ANNEXURE-I To CHAPTER-3 (See Para 3.18(i) )</b>	
<b>INDIVIDUAL WORK PROFILE</b>	
	<p>Name of the Institution :</p> <p>Period of Audit :</p> <p>Dates of Audit :</p> <p>Dates of Absence due to leave/training :</p> <p>No. of audit Enquiries issued : ( AE Nos )</p> <p>Documents Checked (Give details such as the name of Register, File Number and Subject, Name and month of Return / Report, Voucher Number, Number of Service Books checked etc. <i>(If the documents belong to a lower formation give name of office also)</i></p> <ol style="list-style-type: none"> <li>1.</li> <li>2.</li> <li>3.</li> <li>4.</li> <li>5.</li> <li>6.</li> <li>7.</li> <li>8.</li> <li>9.</li> <li>10.</li> </ol> <p style="text-align: right;"><i>Signature</i> <i>Date</i></p> <p>Countersigned</p> <p>Sr. Audit Officer</p>

**ANNEXURE-II To CHAPTER-3**  
(See para 3.49(2) )

Name of the institution:

Audit Party Number :

Period of Audit :

Dates of audit :

**INTERNAL CONTROL MECHANISM**

**Note:** This form is to be filled by the Supervising Officer if present. Otherwise it should be filled up by the senior most member of the party. Give specific reply to each question. Do not leave any question unanswered or answered with dashes or dots. If any question is not relevant for an auditee institution, answer it as **Not Applicable**. On the basis of the questionnaire an evaluation of the internal control mechanism should be included as a paragraph in the Draft Inspection Report.

<b>Budgetary Control</b>		
Whether		
i)	the budget of the Organization is prepared with due diligence and care?	
ii)	expenditure conforms to the budget?	
iii)	there was excess / savings?	
iv)	excess/savings persistent?	
v)	allotment is as per requirement?	
vi)	allotment is received in time to enable fruitful expenditure?	
vii)	there was rush of expenditure in March?	
<b>Expenditure Control</b>		
Whether		
i)	the cash book is standard one with machine numbered pages?	
ii)	transactions are recorded in the cash book as and when they occur?	
iii)	there is a system of daily closing of cash book?	
iv)	the head of office verifies cash balance periodically?	
v)	the custodian of money is the writer of cash book?	
vi)	system of reconciliation is effective?	
vii)	recoveries to be remitted to other heads are remitted in time?	
viii)	advances are adjusted in time?	
ix)	more than one advance for the same purpose is pending adjustment against same officer?	
x)	money is kept in the office in any form for long periods?	
xi)	there is unnecessary drawing of funds?	
xii)	purchases are made as per approved rules and procedures?	
xiii)	purchases are as per requirements?	
xiv)	rules regarding approval of estimates/acceptance of tenders/issuing purchase orders etc. strictly followed?	
xv)	system of stock taking, custody and issue of store are as per rules?	
xvi)	stores ledger and accounts are properly kept?	
xvii)	assets are safeguarded against fraud/error?	
xviii)	physical balance and book balance are compared and tallied?	
<b>Operational Control</b>		
Whether		
i)	there is delegation of powers and division of responsibilities and they are documented and followed?	
ii)	there is proper system to watch the receipt processing and disposal	

		of correspondence?	
	iii)	the arrears in the disposal of correspondence is brought to the notice of the Head of Office at fixed intervals?	
	iv)	the system of opening new files, their movement and upkeep is satisfactory?	
	v)	implementation of schemes/projects are monitored satisfactorily?	
	vi)	the registers/records etc. to be maintained are prescribed?	
	vii)	various registers/records are kept up to date?	
	viii)	returns/reports due from lower formation are received in time?	
	ix)	they are compiled and analyzed and used as monitoring tools?	
	x)	returns due to controlling officers are sent in time?	
	xi)	such returns conform to the actual performance of the Organization?	
	<b>Inspections/Conferences</b>		
	Whether		
	i)	the office is inspected at prescribed intervals by the controlling officers?	
	ii)	the lapses pointed out are rectified in time?	
	iii)	lower formations are inspected by the office as prescribed?	
	iv)	the lapses pointed out are followed up to the logical conclusions?	
	v)	decisions of conferences/meetings are minuted?	
	vi)	the decisions are implemented in time?	
	<b>Computerization</b>		
	Whether		
	i)	the organization has a policy of computerization?	
	ii)	the policy conforms to the objectives of the Organization?	
	iii)	the requirement of hardware/software are properly assessed and documented?	
	iv)	purchases of hardware/software are as per requirement?	
	v)	trained personnel are available?	
	vi)	the systems are installed and put to use?	
	vii)	the systems are properly safeguarded against fraud/ error?	
	viii)	the proper controls have been defined and put in place?	
	ix)	there was any improvement in quality of service/ expenditure as a result of computerization?	
	<b>If the auditee institution is a Directorate under the Government, it may be stated</b>		
	Whether		
	i)	proposals for financial assistances from lower formations/other client organizations to Government are routed through the Directorate?	
	ii)	the views of the Directors are taken by the Government on the schemes and proposals before ordering the Director to draw and disburse amounts to clients?	
	iii)	there is a mechanism in the directorate to ensure proper utilization of the amount drawn and disbursed by the Director at the instance of Government?	
	iv)	the terms and conditions regarding utilization, rate of interest and repayment are fixed before the disbursement of loan/ subsidy, etc.?	
	v)	amounts due to Government are adjusted from the assistance sanctioned to the client organizations?	
	vi)	share certificates are received in all cases where share capital contribution is paid by Government?	
	vii)	guarantee commission is received/ recovered in all cases wherever required?	
	viii)	there are instances of the financial institutions invoking Government guarantee for non-fulfilment of the conditions by client organizations?	

<b>Internal Audit</b>		
Whether		
i)	there is an internal audit organization in the department?	
ii)	there are codes/ manuals etc. defining and supporting audit function?	
iii)	such manuals are reviewed and updated?	
iv)	any standards set by the top Management?	
v)	the duties and responsibilities are clearly defined?	
vi)	the audit staff is properly trained?	
vii)	any separate cadre of auditing staff exist <b>or</b> are they deployed from line staff for a specific period?	
viii)	any audit plan is prepared and approved by the top executive?	
ix)	there are any criteria for selecting field units for audit?	
x)	the periodicity of audit is uniformly followed?	
xi)	the extent of coverage is satisfactory?	
xii)	there is any abnormal delay in issuing Audit Report?	
xiii)	the volume of pendency of audit is justifiable?	
xiv)	the quality of checks is satisfactory?	
xv)	replies to audit reports are received in time?	
xvi)	reports and objections are pending settlement for long?	
xvii)	any persistent irregularities reported?	
xviii)	any departmental action taken for non-compliance to audit observation?	
xix)	the cost-effect analysis justify the system?	
xx)	internal audit makes contribution for the speedy settlement of objections raised by Accountant General through his reports?	

<b>Response to Audit</b>		
Whether		
i)	all the required files/documents were made available to audit?	
ii)	from the files/ documents made available a reasonable opinion as to the functioning of the Organization is possible?	
iii)	the audit slips were properly accepted and answered?	
iv)	replies were furnished to all previous Inspection Reports?	

**Signature**.....

**Name**.....

**Designation**.....

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<b>CHAPTER - 4</b> <b>PRINCIPLES AND PROGRESS OF AUDIT</b>	
<b>4.01</b>	<p>The general principles to be observed in inspection and local audit of the initial accounts of Government offices and institutions are laid down in the Manual of Standing Orders (Audit), Second Edition, 2002, Volume I issued by the Comptroller and Auditor General of India. These and other instructions to be followed generally in the audit of these accounts are summarised below.</p> <p>The special rules and instructions applicable to the accounts of certain offices or institutions to the accounts of certain offices or institutions are given separately in Chapter-13. The procedure for the selection of months for detailed check and the extent of checks to be exercised in local audit are detailed in the Secret Memorandum of Supplementary Instructions regarding extent of audit. It has been ordered by the Comptroller and Auditor General that it is for audit to decide as to what is to be treated as outside their purview. In future, in all cases where department takes a view that records in respect of payment to question setters, moderators, printers of question papers etc. are of secretive or confidential nature, audit should be stopped then and there and the matter referred to OA(HQrs) for further instruction.</p> <p>It has also been made clear by the Comptroller and Auditor General's Office that the accounts procedure relating to public examination conducted by the State Public Service Commission etc., are to be brought in tune with the examinations conducted by UPSC, and all accounts, documents relating to various examination are subjected to audit.</p> <p>( Vide OA(HQ)I/GI/4-5/9697 dated 28-6-1996.)</p>
<b>4.02</b>	<p><b>Receipts :</b></p> <p>The general rules regarding the audit of receipts are given in paras 2.3.1 to 2.3.16 of MSO(Audit)Second Edition-2002. The various processes and stages of collection and accounting of receipts should be intelligently examined in order to ensure that there are no weak points in the system which may lead to leakage of receipts or commission of irregularities. It should also be seen that :</p> <ul style="list-style-type: none"> <li>(a) Adequate regulations and procedure have been framed to secure an effective check on the assessment, collection and proper allocation of revenue ;</li> <li>(b) Such regulations and procedure are being observed;</li> <li>(c) Where any financial rule or order prescribes the scale or periodicity of recoveries, there is no deviation from such scale or periodicity without proper authority;</li> <li>(d) A register of all recurring and non-recurring demands is kept in accordance with the rules, and collections watched against it;</li> <li>(e) Arrangements for collection are satisfactory and there are no outstandings requiring special notice.</li> <li>(f) Payees are invariably granted machine-numbered receipts in the prescribed form, a proper stock account is kept of all receipt books, the stock thereof is periodically verified and a certificate of actual count of receipt forms in a receipt book recorded before a Receipt Book is issued from stock;</li> <li>(g) Moneys received are brought to account immediately and ordinarily there is no undue delay in their remittance into treasury;</li> <li>(h) The return of the counterfoils of used receipt books is properly watched and the counterfoils are recorded after check so as to avoid delay or omission in bringing the receipts to account; and</li> <li>(i) The responsibility of conducting the internal checks on the lines of (d) to (h) above is held by some responsible official with recorded evidence to that effect.</li> </ul>
<b>4.03</b>	<p><b>Audit of Demand Register</b></p>
	<p>(i) The demand Register should be examined to see that :</p> <ul style="list-style-type: none"> <li>(a) All demands have been correctly noted in the register;</li> <li>(b) All sums due are received and checked against demands, and</li> </ul> <p>The demands are realised punctually and fully.</p>

	(ii) It should be examined whether the names of all persons from whom taxes, fees or other revenue are due have been noted in the demand register. The register should therefore, be checked with other registers, roll or other records maintained. It should further be seen that the closing balances of the previous demands have been correctly brought forward, and all amounts shown in the counterfoils of the receipts granted to the parties have been noted in the demand register and credited in the Cash Book.
<b>4.04</b>	<b>Audit of Receipt Books:</b>
	<p>The stock account of duplicate carbon or counterfoil receipt books should be examined to see that :</p> <ul style="list-style-type: none"> <li>(a) The number of receipt books received agrees with the indent or requisition made for the same and that all such receipt books are kept under lock and key by a responsible officer;</li> <li>(b) Only one book is issued to an individual officer on return of the previous used up book;</li> <li>(c) The number of receipt forms contained in each book is recorded on the covering page under the initials of a responsible officer and all the forms are machine numbered;</li> <li>(d) The issue of a receipt book and the return of a used up book are duly acknowledged;</li> <li>(e) As for cancelled receipt forms both the original and the duplicate are retained in the receipt book; and</li> <li>(f) The closing balance in the stock account is verified by the head of office, by actually counting the number of receipt books in hand at the end of each month and a certificate to that effect is recorded in the stock account.</li> </ul>
<b>4.05</b>	<b>Audit of Expenditure.</b>
	<p>The general rules regarding the audit of expenditure are given in Paras 2.2.1 to 2.2.46 of MSO(Audit) Second Edition, 2002. The main points to be looked into while taking up the local audit of expenditure are detailed below :</p> <p>It should be seen that :</p> <ul style="list-style-type: none"> <li>(a) There is proper sanction, either special or general, accorded by competent authority authorising the expenditure;</li> <li>(b) The payment has actually been made, and to the proper person and it has been acknowledged and recorded so that a double payment on the same account would not be possible;</li> <li>(c) The charges incurred do not exceed any rate or scale fixed under the rules or orders issued by competent authority;</li> <li>(d) The expenditure has been incurred with due regard to financial propriety, e.g. supplies in excess of requirements have not been obtained, the purchases have not been made at unreasonable rates and the expenditure has been incurred only for legitimate purposes, etc.</li> <li>(e) Vouchers which are not required to be sent to the Audit Office are kept on record duly cancelled so that they cannot be used again; ( these voucher should be examined during local audit )</li> <li>(f) Entries in the local accounts are properly vouched;</li> <li>(g) The acquittances of menials for whom pay has been drawn on contingent bills, have been duly taken in the office acquittance rolls ;</li> <li>(h) The entries of payments in the local accounts have been initialled by the disbursing officer after examination;</li> <li>(i) All materials and stores billed for, have been brought on to the respective inventories;</li> <li>(j) The articles or materials billed have been purchased on tender system, as prescribed in the financial rules of the Government concerned and that in case of non-acceptance of the lowest tender, the reasons for such non-acceptance have been recorded in writing;</li> <li>(k) Contract agreements for the supply have been executed;</li> <li>(l) The quality and quantity of stores have been certified as correct before payment;</li> <li>(m) The rates paid are not in excess of the accepted market rates;</li> <li>(n) Suitable notes regarding payment have been recorded against the original indents and the invoices concerned to prevent double payment;</li> <li>(o) On the sub-vouchers, dates of payment are recorded;</li> <li>(p) The details when added up tally with the totals ;</li> <li>(q) There are no erasures and any alteration in the figures have been attested by the drawing officer and the expenditure has been recorded under the correct heads of account; and</li> <li>(r) Expenditure has not been incurred with a view to preventing the lapse of budget allotment, or</li> </ul>



	<p>charges incurred in one year have not been met from the budget allotment of the next year;</p> <p>(s) Where fees are realised to meet certain payments on behalf of private parties, the total expenditure on this account during the year has not exceeded the fees received; and</p> <p>(t) Expenditure on contingencies, works, etc. is being properly regulated according to the financial rules and the accounts indicate no laxity in supervision and control.</p>
<b>4.06</b>	<b>Audit of establishment vouchers</b>
(i)	Nominal audit or check of correctness of pay and allowances drawn in establishment pay bills was discontinued in Central audit from 1-4-1980. Number audit or scale audit against sanctioned strength through audit registers maintained centrally was also discontinued in respect of such bills from 1-4-1984. The establishment vouchers should be subjected to those checks during local audit in the manner and to the extent indicated in Secret Office Order No. 47 (Co-ord. I/ 11-41A/42) dated 25-10-1980 and No. 7 ( Co-ord (Au)/11-41A/84-85/457 ) dated 29-10-1984. The months selected for test audit are to be adopted for number audit as well as nominal audit.
(ii)	Audit against sanctioned strength of establishment will be done for the period from 1-4-1984 with reference to the orders of competent authority for the creation/continuation of the posts in the offices visited. In the case of establishments borne on provincial or circle scales, the records maintained by the cadre controlling authorities to ensure that the number of officials employed does not exceed the sanctioned strength should also be checked during local audit of the offices of such cadre controlling authorities.
(iii)	<p>The results of audit of establishment pay bills, Service Books and leave accounts should be incorporated in separate paras in Part II or Part III as the case may be, of the inspection report. A certificate to the effect that nominal audit and number audit of establishment pay bills, audit of increment certificates, checks of pay fixation on promotion/reversion, check of service books and leave accounts and check of office copies of bills and acquittance rolls have been conducted to the extent prescribed, should invariably be furnished along with each inspection report.</p> <p>( OA(HQ)I/GI/2-178/79-80/209 dated 4-12-1980 and No. OA(HQ)I/GI/2-31/84-85/512 dated 14-12-1984 ).</p>
	<p>NOTE : The percentage of audit prescribed in order No.47 ( Co-ord.I/11-41A/42 ) dated 24-10-1980 in respect of cases of increments sanctioned to the members of establishment of the office under inspection and cases of fixation of pay on promotion/reversion during the period covered by local audit can be integrated with that of check of service books done, as a process of other local audit checks, during audit of all departmental offices.</p> <p>( Cir. No. OA(HQ)I/GI/4-1/82-83/1065 dated 14-2-1983).</p>
(iv)	<p>Headquarters office has reported some instance of fraudulent drawal of pay and allowances that have occurred in some States by preparing fictitious pay bills of a few employees every month and has instructed all audit group to exercise extra care and vigilance to prevent similar and other frauds. During local audit, monthly salary bills should be scrutinised with reference to the actual staff strength. Special attention should be paid in the Attendance Registers/ acquittance rolls/Register of Service Book , Register of sanctioned posts, GPF/GIS account numbers and such other relevant records and information.</p> <p>( Circular.No-7. OA(HQ)I/GI/4-5/99-2000/ 3-12-1999 ).</p>
<b>4.07</b>	<b>Audit of Contingent Vouchers :</b>
	General rules regarding audit of contingent vouchers are given in Paras 3.4.1 to 3.4.19 of MSO Audit(Second Edition) 2002.
(i)	<p>It should be seen, in addition to the points mentioned in the above paragraphs that :</p> <p>(a) The sub-vouchers contain pay orders signed by competent authority and they are supported by payee's acknowledgement with date of payments;</p>

	<p>(b) The details given in sub-vouchers agree with entries in other registers or records maintained in the office, e.g. the number of days of attendance in court as shown in the Witness Register of the Court, or the stores purchased agree with the Stores Ledgers etc.</p> <p>(c) The totals are noted in words as well as in figures;</p> <p>(d) Any alterations in the figures have been attested by the officer authorising payment;</p> <p>(e) Revenue stamps have been affixed to the payees' receipts in all vouchers for sums over Rs.5000/- and the stamps have been defaced.</p>
(ii)	<p>In auditing the accounts of offices which normally incur heavy contingent expenditure, it should also be seen whether any of the following common irregularities exist : -</p> <p>(a) Heavy payments made to firms in cash instead of by cheque or bills endorsed in favour of the firms which is in contravention of the instruction in Article 112 of Kerala Financial Code Volume I</p> <p>(b) Fraudulent withdrawals by altering the amount shown in the vouchers;</p> <p>(c) Purchases in excess of financial powers;</p> <p>(d) Presentation of duplicate claims.</p> <p>( C&amp;AG's letter No. 951/Admn.215-49 dated 19-5-1949 forwarded with endorsement No.248/Admn.1/215-49 dated 21-12-1954 -- Case OA I/3-2/54-55 ).</p>
(iii)	<p>Based on the suggestion of the Accountant General (A &amp;E), the State Government in circular No.69/85/Fin. Dated 25<sup>th</sup> July 1985 issued orders implementing the following decisions :</p> <ol style="list-style-type: none"> <li>1. Payee's receipts and sub-vouchers should be retained by the drawing and disbursing officers and made available to the parties for test check during local audit of the concerned offices.</li> <li>2. Where amounts are drawn on abstract contingent bills the drawing officers should continue to send detailed contingent bills in their present form to Accountant General (A &amp; E). The Local Audit Party of the A.G(Audit) will conduct a test check of the supporting vouchers at the time of the local audit of the offices concerned.</li> </ol> <p>During the check of cash book for the months selected for audit, where these months are April or later months the local audit parties should check whether relevant payees' receipts have been received and properly kept by the Drawing Officer in respect of payments from 1<sup>st</sup> April. During local audit, if the departmental officer states that any payee's receipt has been forwarded to the Accountant General, a certificate of payment should be obtained from the Drawing and Disbursing Officer, verified with the local records and attached to the concerned audit enquiry and reply, after acceptance by the supervising Audit Officer/AAO/SO of the party. In cases where the officer supervising the party considers that it may be desirable to check the Payee's receipts stated to have been forwarded by the departmental officer to the office of the Accountant General ( A &amp; E), a special note for this purpose should be sent along with the draft inspection report. The Section dealing with the draft inspection report should in such cases, get the relevant payee's receipts verified by the concerned Central Audit Party.</p> <p>( CAG's Office Lr.No. 620-Audit.II/172-83 Cir.No. 15-Aud.II/1985 ) dated 14-5-1985 and Secret Office Order No.22(Co-ord. Au)/11-41A/85-86 dated 14-8-1985 ).</p>
(iv)	<p><b>Audit of Abstract Contingent Bills</b></p> <p>The following instructions based on CAG's guidelines regarding local audit of Abstract Contingent bills should be followed by the Local Audit Parties :</p> <ol style="list-style-type: none"> <li>1. Sub-vouchers below Rs.500/- kept in local offices should be put to normal audit checks to see whether       <ol style="list-style-type: none"> <li>(a) The amount drawn was required for immediate utilisation.</li> <li>(b) The amount was adjusted within the stipulated period of 60 days from the date of drawal.</li> <li>(c) The vouchers were chronologically and systematically maintained to prevent</li> </ol> </li> </ol>

	<p>double drawal.</p> <p>2. The field officers draw advance from Treasuries on Regular Contingent Bill form instead of in Abstract Contingent Bill form just to avoid submission of detailed contingent bills. The loophole should be checked in audit and commented in the Inspection report.</p> <p>3. The OA parties should ensure that in respect of all abstract contingent bills, the drawing and disbursing officer prepared detailed contingent bills in time and presented them in treasuries or sent them to the Account General (A &amp; E) directly. Non-adjustment of Abstract Contingent bill should be commented in the inspection reports</p> <p>( Circular No. 3 dated 12-5-2000, No. OA(HQ)I/GI/4-5/ 2000-01 -- CAG's circular No. 12 of 1999 No. 946-Rep(s) 127-98 dated 29-9-1999 ).</p>
(v)	<b>Audit of Contingent Register :</b>
	<p>The entries in the contingent register should be checked to ensure the propriety of the expenditure with reference to the rules. It should be seen that :</p> <p>(a) Each entry is initialled by the drawing officer;</p> <p>(b) They are correctly entered in the columns which show as heading the classification under which the expenditure falls;</p> <p>(c) The total of the sub-vouchers agrees with the total of the contingent bills drawn;</p> <p>(d) The details of stores and other articles purchased, as shown in the entries in this register, for which no sub-vouchers are available, agree with those in the stock books or other registers or records maintained in the office;</p> <p>(e) The total of the bills drawn in the Contingent Register are also checked.</p>
<b>4.08</b>	<b>Audit of Travelling Allowance Bills :</b>
	<p>The check exercised by Controlling Officers in TA Bills has to be audited by occasional test check and for this purpose audit should check a few specimen cases at the time of local audit of Government Offices, to ensure that the duties assigned to the Controlling Officers are properly exercised by them. Cases that may come to notice in which the Controlling Officers did not discharge their responsibilities in this regard should be brought specially to their notice.</p> <p>(Please also see Para 3.2.15 of MSO (Audit ) Second Edition-2002 )</p>
<b>4.09</b>	<b>Audit of vouchers relating to overtime allowance :</b>
	<p>As per paras 4(iii) and (vi) of Office Order No. GI.47 ( No. Co-ord.I/11-41A/42 ) dated 25-10-1980 the function of nominal audit of establishment vouchers entrusted with the Central Audit has been transferred to Local Audit, considering the fact that effective audit of O.T.A. bills is possible only in local audit.</p> <p>( CAG's Office Lr. No. 1142/TA I/140-82 dated 14-9-1982 and O.O.No. Co-ord.I/11-41A/Admn.Audit/66/526 dated 4 - 11 - 1982 ).</p>
<b>4.10</b>	<b>Audit of scholarship vouchers :</b>
	<p>Audit of scholarship vouchers except overseas scholarship was dispensed with in central audit with effect from April 1982 and Local Audit Parties have to scrutinise such vouchers in local audit. The parties are to select scholarship vouchers pertaining to a particular month and scrutinise them in details, even though payments might have taken place in different months, to ensure the existence of a proper system to safeguard against double payments and to see that acquittances are received in all cases and filed.</p> <p>( Cir. No. OA(HQ)I/GI/4-5/82-83 dated 15-9-1982).</p>
<b>4.11</b>	<b>Check of permanent advance :</b>

	<p>Para 3.13-13 of MSO(Audit) Second Edition-2002 requires that permanent advances held by local offices should be checked occasionally in order to see that the amounts held by the various disbursing officers, are not in excess of their normal monthly requirements. The inspecting parties should therefore, verify the actual requirements of each office inspected and a report is to be sent to the Debt Head Section of the Office of the Accountant General (A &amp; E).</p>
<b>4.12</b>	<p><b>Treasury Bill Book :</b></p> <p>It should be seen that :</p> <ul style="list-style-type: none"> <li>(a) All bills drawn and presented are entered in the register;</li> <li>(b) Entries in columns 1 to 6 and 12 to 13 have been attested by the Head of the Office inspected,</li> <li>(c) The date and amount of payment have been attested by the Treasury Officer;</li> <li>(d) There are no erasures, over-writings, etc. in the registers; and</li> <li>(e) The cash received has been taken correctly to the cash book.</li> <li>(f) The Register has been page numbered and a certificate of count of pages recorded over the signature of the Drawing Officer on the covering page of the Treasury Bill Book.</li> </ul>
<b>4.13</b>	<p><b>Stamp Account :</b></p> <p>It should be seen that :</p> <ul style="list-style-type: none"> <li>(a) The account has been maintained properly bringing into account all receipts and issues;</li> <li>(b) The physical balance has been verified periodically and agreed with the book balance;</li> <li>(c) The postage stamps have been issued for official purpose only; and</li> <li>(d) The expenditure on telegram is not excessive.</li> </ul>
<b>4.14</b>	<p><b>Cash Accounts :</b></p>
(i)	<p>The arrangements for the withdrawal of cash from treasury and/ or its realisation from other sources, its custody, payment and accounting should be examined to see that they are in conformity with the prescribed rules.</p>
(ii)	<p>The cash books should be examined to see that :</p> <ul style="list-style-type: none"> <li>(a) All entries relating to the months(s) selected for detailed check regarding receipt of cash as shown in the counterfoils of receipt books as well as cash received from the treasury on bills, cheques, cash orders, or Reserve Bank drafts are traceable under proper dates and with correct particulars;</li> <li>(b) Cash which should be remitted into the treasury are remitted without delay and the remittances supported by the chalans are acknowledged by the treasury officer, or the bank or by the treasury pass book. It should be seen that all entries in the treasury pass book have been initialled by the Treasury Officer;</li> <li>(c) All payments are supported by proper vouchers, acquittance rolls etc. which are complete in all respects;</li> <li>(d) The totals are correct and the balance correctly worked out;</li> <li>(e) Private cash is not mixed with the cash balance of Government;</li> <li>(f) The cash book is closed and balanced on the prescribed dates;</li> <li>(g) There are no erasures or interpolations and errors are rectified properly;</li> <li>(h) There is no tendency to keep an unduly large cash balance in hand and the cash in hand with the Cashier and others does not exceed the amount of security taken from them;</li> <li>(i) There is evidence in the cash book of the verification of all entries made therein regarding receipts, payments and balances, and the balance of cash in chest has been counted at least once a month and duly certified by the head of the office concerned;</li> <li>(j) The expenditure shown in the permanent advance column, justifies the full amount of the permanent advance;</li> <li>(k) Expenditure has not been incurred in excess of the permanent advance by spending from the departmental receipts, except when specifically authorised;</li> <li>(l) The local audit Party auditing the accounts of the Dt. Supdt of Police should test check the</li> </ul>

	accounts of DYSP, CI, and SI to find out whether the collections of fines and their remittances to the office of DSP are done properly (Cir. No-16 OAHQI/GI/4-1/Dated 2-12-1988)
(iii)	It is one of the important duties of audit to see that all departmental revenue have been remitted in time to the treasury to the credit of Government. With a view to ensuring that all the remittances to the treasury have gone to the credit of Government the audit staff should verify the credit entries in treasury records. In this connection, the instructions contained in Para 23 of the Secret Memorandum of Instructions may also be borne in mind.
	<b>NOTE :</b> The verification with treasury records should be conducted even if the treasury is located beyond 8 Kms. from the place of inspection. Details of journey, if any, undertaken for the purpose should be reported to OA(HQ) for regulating TA claim.
(iv)	Where important initial records such as cash books, pass books security registers, etc. are not maintained properly, it will not be sufficient to state in the inspection report that such records are not maintained properly. Improper maintenance or non-maintenance of important initial records having a direct bearing on cash transactions will prima facie indicate irregularities in cash transactions. In such cases the Audit Officer, besides mentioning the technical defects and shortcomings noticed in keeping accounts, registers etc. should also make an intelligent probe to see if the defective maintenance or non-maintenance of accounts, registers and other initial records is a cover for any fraud or misappropriation.
(v)	The cash book should be checked up-to-date.  While doing this, the Inspecting Officer should try to get all the facts and explanations on the spot. If satisfactory explanation for any irregularity detected is not forthcoming, he should collect all the relevant facts and make a special report for pursuing the point with higher authorities.
(vi)	Objection, if any, taken on checking of Cash Account should be explained in sufficient details to enable the Central Office to find out whether the defects mentioned disclose any technical defect or serious irregularity. Audit parties should examine specially the adequacy of the procedure followed by various authorities for the receipt, custody and disposal of cash and other valuables, and defects, if any in this regard, should be commented upon in the report.
(vii)	All irregularities relating to the accounting of cash whether technical or material should be mentioned invariably in Part II of the Inspection Report.
(viii)	In cases where the cash book is maintained properly and the rules observed correctly, the Supervising Officer/AAO/SO of the OAD Party should mention the fact specifically in the letter forwarding the inspection report.
<b>4.15</b>	<b>Cash verification :</b>
(i)	The supervising officer or when the party is unsupervised, the AAO/SO should ensure that physical verification of cash as per the records is done by the Drawing and Disbursing Officer in his presence and include comments, if any, arising from such verification in the Inspection Report which should comprise the following :  (a) The opening cash balance as on date; (b) Cash receipts / disbursements during the day till the time of verification; (c) Closing cash balance; (d) Actual cash balance found on physical verification; (e) An analysis of the difference between the cash balance and the balance found on physical verification indicating whether the difference was due to <ul style="list-style-type: none"> <li>• Misappropriation i.e. unexplained shortage of cash</li> <li>• Unadjusted advances given from un-disbursed cash or</li> <li>• Unadjusted voucher specifying disbursements on account of item for which there are no allotment or sanction.</li> </ul> (f) Cases of retention of heavy cash balances.  ( Circular No.5, OA(HQ)I/GI/2003-04/68 dated 6-8-2003 and Annexure to Para 6.1.7 of M.S.O.

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	It should be seen in audit that the Government Safe contains nothing but Government money and other Government Valuables.
(ii)	Whenever cash is verified it should be seen that the cash book is written upto date and all entries should be vouched to the date of verification. The composition of the balance in hand so verified, i.e. cheques, notes, coins, etc. should be recorded in the verification report also.
(iii)	If the cash balance pertaining to the cash book is counted, it is desirable to have simultaneous count of all cash balances in the same office, with relevant accounts in charge of the disbursing officer or other custodian of the cash chest. This verification of cash should preferably be done at a time when the officer-in-charge is present.
(iv)	The above instructions apply also to surprise inspection of cash undertaken when temporary misappropriation is suspected  ( Vide CAG's D.O.No. 70/Admn. I/54 dated 26-7-1974).
<b>4.16</b>	<b>Accounting of Non-Government Money:</b>
	Where under any special sanction, a Government Servant deals with both Government and non-Government money in his official capacity, it should be seen that the provisions of Kerala Treasury Code Vol. I are observed.
<b>4.17</b>	<b>Audit of Property Account :</b>
	Local audit parties should also bestow adequate attention on the audit of property accounts which include accounts of immovable properties like land, buildings and other assets with a view to safeguarding the financial interest of Government. Specific comments should be included in the inspection report regarding the maintenance of property accounts in respect of each Government institution audited by them.  ( CAG's Confidential letter No. 83 Admn.I/152-61 dated 11-1-1962 ).
	It should also be seen whether the permanent register prescribed by Government to show the assets of immovable properties and buildings in the custody of several departments is being maintained properly and is posted up-to-date.
<b>4.18</b>	<b>Stores and Stock Accounts :</b>
(i)	The general principles and regulations in accordance with which audit of stores and stock accounts should be conducted, as laid down in paras 2.4.1 to 2.4.13 of MSO (Audit) Second Edition-2002, should be carefully borne in mind.
(ii)	Comptroller and Auditor General has decided that dead stock and office furniture should not be included in the Stock accounts furnished by the departments to audit for inclusion in the Audit Report.  (CAG's Letter No. 1637-Admn.II/1248-60 dated 7-9-1960 and circular memorandum No.Fin(BG)B1.80390/60 dated 9-1-1961).
(iii)	During the audit of stores accounts, it should be seen whether the departmental regulations governing purchase, receipts, issue, custody, condemnation, sales and stock taking of stores are well devised and duly implemented.
(iv)	The special features regarding the stores and stock accounts of Government Medical Stores and Stationery Department of the State and the nature and extent of audit to be conducted are detailed in Appendices II and III of this Manual.



(v)	A list of departments which maintain stock accounts at present is given as annexure I to this chapter. OA(HQrs) will obtain a list of departments which are required to maintain stock accounts in terms of Article 149(1) of Kerala Financial Code Volume I from Government and will keep this list up-to-date. A copy of the list should be given to Report Section. I.A.U. I should also keep a record of institutions which are required to keep accounts of stores and stock pertaining to the departments under their audit control. During the course of audit, if the Central Audit Sections (I.A.U. and CAP ) come across other departments which maintain stores and stock of appreciable value they should bring it to the notice of Government in consultation with Co-ordination section for inclusion in the list of departments maintaining stores and stock and at the same time furnish the names of such departments to Report / OA HQrs. Sections.
(vi)	OA(HQrs) will arrange the local audit of stock accounts of the departments listed in the Annexure annually as soon as compiled stock accounts are received. The annual programme of audit of stock accounts should be so drawn up by OA(HQrs) that the reports on the results of audit together with the certified stock accounts are made available to Report Section by 30 <sup>th</sup> September each year.  ( OA(HQ)I/Gl.4-1/91-92 dated 9-6-1992).
(vii)	As far as practicable the work relating to the audit of stores and stock of all the institutions selected for audit in one year should be entrusted to one or two audit parties under the supervision of one Audit Officer.
(viii)	OA(HQrs) will keep separate files for the stock account of each department included in the list. All general and special orders governing the maintenance of the respective stock accounts should be kept in these files and the files made available to the local audit parties for guidance. The accounts and audit report of the previous audit should also be made available to the audit party for reference at the time of audit.
(ix)	<p>(a) The Supervising Officers and the AAO/SO engaged in the local audit of the accounts of stores and stock should make themselves conversant with the relevant rules and instructions before taking up the audit. They should also refer to the relevant provisions in the MSO (Audit), Kerala Financial Code, Stores Purchase Manual and KPWA Code so that the audit is conducted in an effective and purposeful manner.</p> <p>(b) Whether conversion of money to materials has been done merely to prevent surrender of the grants.</p> <p>(c) Whether the inventories in different departments are commensurate with their normal requirements. Specific cases of inventories where the balances are much higher than the normal consumption may be examined to find out the reasons for the flabbiness of the inventory; and</p> <p>(d) Particular purchase decisions should be examined to see whether purchases were justified keeping in view the then existing stock and the future trend of consumption.</p>
	<p>If necessary, one or two major stores holding departments may be taken up each year for detailed analysis of their procedure and material management systems.</p> <p>( CAG's Gen. Cir. No. 1204 - 84 (s) /76-82/11 dated 30-7-1982).</p>
<b>4.19</b>	<p><b>Purchase of stores :</b></p> <p>The accounts relating to acquisition of stores should be examined with a view to ensuring :-</p> <p>(i) That a reasonable estimate has been prepared regarding the requirements for the year;</p> <p>(ii) That the annual indent has been prepared.</p> <p>(iii) That in the case of stores required for works, the purchases are in accordance with the works programme and if not, stocks are required to meet the requirements for a reasonable period only;</p> <p>(iv) That sufficient funds have been provided and the expenditure has been properly sanctioned;</p> <p>(v) That purchases have been made by tender system duly observing price preferences;</p> <p>(vi) That the quotations/tender notices are in the prescribed form;</p> <p>(vii) That sufficient time is allowed to tenderers to submit their tenders;</p> <p>(viii) That a time has been fixed for firmness of offers;</p> <p>(ix) That purchase is made from the lowest tenderer ( except in cases in which price preferences are applicable ) and in cases where the lowest tenders are not accepted, valid reasons are recorded in</p>



	<p>writing.</p> <p>(x) That the prescribed EMD has been collected unless exempted under Article 132 of Kerala Financial Code, Volume I. ( In the case of running contracts collection of EMD is compulsory);</p> <p>(xi) That an agreement in proper form has been executed and security taken from the successful tenderer and that the agreement does not contain any unusual clauses detrimental to the interests of the State;</p> <p>(xii) That terms of supply have been fulfilled by the supplier in all respects;</p> <p>(xiii) That the rates paid agree with those shown in the contracts/agreements;</p> <p>(xiv) That certificates of quality and quantity are furnished by the government servants who receive the stores before payment is made;</p> <p>(xv) That purchase orders have not been split up in order to avoid sanction of higher competent authorities;</p> <p>(xvi) That in the case of articles which are covered by rate contracts, the purchases are effected at the rates so fixed, without calling for competitive tenders/quotations;</p> <p>(xvii) That the goods are insured against risk during transit if necessary and that losses if any, during transit are taken up and settled with the insurance agencies promptly;</p> <p>(xviii) That all articles received and paid for are taken into the appropriate stock register and acknowledged as such by the officer in charge of the stores;</p> <p>(xix) Check by audit of Sales Tax paid on Government Purchases : Sales Tax is a tax on sales and not on purchases. There is nothing in the law to make it necessarily payable by the purchaser. In respect of payments under contracts, local audit should therefore see (a) that the sales tax is paid by Government, only when it is payable and that (b) in cases where sales tax is paid by Government on its purchase, the relevant contract of purchase includes a specific provision for the payment of sales tax and (c) in such cases even with the tax, the purchase is made on terms most favourable to Government comparing the price paid by Government including the sales tax with other quotations.</p> <p>( CAG's Endt. No. 2434 Admn.I/628-54 dated 18-12-1954 and letter No. 1280.Admn.I/628-54 dated 28-6-1955 ).</p>
4.20	<p><b>Custody and issue/disposal of stores:</b></p> <p>It should be examined :</p> <p>(i) Whether the permissible limit for the value of stock in hand has been exceeded at any time without justifiable reasons;</p> <p>(ii) Whether the departmental regulations provide adequate arrangements for the safe custody and controlled issue of stores;</p> <p>(iii) Whether all issues are supported by indents, issue notes and goods received notes and the issues are properly recorded in the appropriate stock register.</p> <p>(iv) Whether the issue to sub-stores from stock are properly accounted for at the receiving end and the issues and receipts are reconciled by the issuing and receiving authorities periodically both in quantity and in value;</p> <p>(v) Whether the sale of stores ( if permitted under the Rules) is made only by authorised persons and the sale price fixed by competent authority, includes a percentage to cover the overhead charges, including cost of departmental supervision, etc. ;</p> <p>(vi) Whether the issues of articles for direct consumption on works or manufacture are regulated in accordance with the scales prescribed by competent authority;</p> <p>(vii) Whether periodically inspection of the stores has been conducted at the prescribed intervals and the report on unserviceable, perishable and surplus stores submitted to the appropriate authorities and action taken to dispose of such stores wherever necessary;</p> <p>(viii) Whether the physical verification of stores has been conducted by the head of office or a gazetted subordinate other than the officer- in-charge of the items at least once a year and discrepancies / shortage investigated.</p> <p>(ix) Whether amounts shown against depreciation, shortages, etc. when written off, give a break up of the figures under :</p> <p style="padding-left: 40px;">(a) Depreciation</p> <p style="padding-left: 40px;">(b) Shortages</p>

	<p>(c) Losses and indicate :</p> <ul style="list-style-type: none"> <li>• The period to which the shortages or losses relate;</li> <li>• The action taken to get the shortages and losses regularised after due investigation in accordance with the instructions contained in Article 161 of Kerala Financial Code Vol. I. It should be seen in audit that the action is adequate and that the value of articles is not removed from the stock account without the sanction of competent authority for the write off.</li> </ul> <p>(x) Whether timely action is taken for providing adequate funds to meet possible increase in the price of materials, so that expenditure does not exceed budget provision.</p>
4.21	<p><b>Consolidated Stock Account :</b></p> <p>The main check consists in seeing that the consolidated stores and stock account has been prepared by each Head of Department correctly with reference to the returns received from the subordinate offices and that there is no omission to include the stores relating to any office or institution in the department. It should also be seen that :</p> <p>(i) The consolidated account has been prepared in the prescribed form and is signed by the officer in charge as well as the Accountant or other subordinate who prepared the account;</p> <p>(ii) The opening balance agrees with the closing balance of the previous year;</p> <p>(iii) The amount, if any written off is supported by the write off orders;</p> <p>(iv) The arithmetical calculations are correct;</p> <p>(v) The quantities issued from the Central office are taken correctly in the books of the subordinate offices and vice versa;</p> <p>(vi) The certificates and explanations on the following points are furnished by the department keeping the stock account :</p> <p>(a) Whether the figures represent a true and correct statement of affairs;</p> <p>(b) Whether the figures represent a substantially verified stock and if so by what agency;</p> <p>(c) Whether action has been taken for write off of stores which have been lost/unserviceable;</p> <p>(d) Whether the closing stock is in excess of requirement;</p> <p>(e) Whether there is abnormal variation in the closing stock or the amount written off as compared with previous year and if so the reason for such variation;</p> <p>(f) Whether the accounts indicate purchase in excess of requirement and if so the reasons for such purchase;</p> <p>(vii) That unnecessary boosting up of stock account is avoided in the departments having a Central Store where the stores are initially acquired and distributed to sub-stores or subordinate institutions. In such cases it is usually noticed that the same article is accounted twice or thrice as receipt and issue depending on the number of institutions it passes through.</p> <p>(viii) Where a priced account is maintained, it should be seen that</p> <p>(a) The issues are priced with reasonable accuracy and the rates initially fixed are reviewed from time to time and revised when necessary so as to bring them within the market rates;</p> <p>(b) The value accounts tally with the accounts of works and of departments connected with stores transactions, the total of the value accounts agrees with the outstanding amount in the general accounts and the numerical balance of stock materials is reconcilable with the total of value balances in the accounts at the rates applicable to the various classes of stores, and</p> <p>(c) Steps are taken for the adjustment of profit or loss due to revaluation, stock taking or other causes and these are not indicative of any serious non-observance of rules.</p> <p>(ix) Depreciation is shown as an item in the Stores Accounts only when there is a definite policy of writing down stores value by such means. Where there is no such policy only actual write off of stores or losses on revaluation should be shown. This principle will apply both to commercial and non-commercial departments and undertakings.</p>

	<p>In addition to the above points to be seen during local audit, the correctness of the explanation and certificates furnished by the department should also be examined and commented upon.</p>
<p><b>4.22</b></p>	<p><b>Audit of contracts and agreements:</b></p> <p>i) The contracts, agreements, purchase bills, purchase files etc. should be carefully scrutinised in local audit. The items of contracts and agreements entered into by the offices to be inspected should be obtained from the OA(HQrs). These items should be checked with the list maintained by the office inspected to see that there are no omissions. Special points if any, noticed in Central Audit and are to be looked into at the time of local audit, will also be communicated to the OA Parties by OA(HQrs).</p> <p>ii) The general instructions for the audit and agreements are contained in paragraphs 3.7.1 to 3.7.22 of MSO (Audit) Second Edition-2002. The supplementary instructions given by the Comptroller and Auditor General for general guidance in local audit are given in Appendix IV. These instructions should be adopted to suit the requirements of audit of particular cases or types of contracts, in the light of departmental rules and regulations.</p> <p>iii) Local audit should be conducted in respect of all contracts and agreements of value above Rs.50,000/-, all rate and running contracts and 20 percent of other contracts. The audit of contracts should be conducted under the supervision of an Audit Officer.</p> <p>iv) Under Section 194C of the Income Tax Act, 1961, any person responsible for paying any sum to any resident contractor is required to deduct income tax at source at 2 percent from any sum credited or paid in pursuance of any contract for carrying out any work, including supply of labour for carrying out any work entered into between the contractor and</p> <ul style="list-style-type: none"> <li>(a) The Central Government or any State Govt. or</li> <li>(b) Any local authority or</li> <li>(c) Any corporation established by or under a Central, State or Provincial Act, or</li> <li>(d) Any company or</li> <li>(e) Any co-operative society,</li> </ul> <p>if the consideration for the contract is not less than Rs. 20,000/- ( with effect from 1-7-1995 ) In order to enforce this provision, Section 37(7) of the Income Tax Rules, 1962 stipulates that the person making deduction of tax in accordance with Section 194C from payment made to any contractor shall send to the Income Tax Officer concerned an Annual statement by the end of June immediately following the previous year in Form 26.C in respect of deductions made by him during the immediately preceding quarter.</p> <p>OA Parties should ensure that the quarterly return is forwarded regularly to the Income Tax Officer on due dates. Omissions if any, noticed in local audit have to be incorporated in the inspection report and extract of such para should be forwarded to RA(HQrs) at Thiruvananthapuram.</p> <p>( Circular No. OA(HQ)I/GI/4-1/85-86/169 dated 3-6-1985)</p> <p>v) The inspecting staff should see particularly that tenders have been invited in case of purchase of articles and stores for which tenders are to be called for as prescribed by specific orders of Government or under instructions contained in the manual of the offices inspected. They should examine the original of tenders and the agreements finally accepted. Cases of alteration of figures, over writings and other unauthorised corrections of tendered rates or other errors in the original tenders should be investigated in detail. The inspecting staff will also see that the rules laid down by Government or set out in the Manuals in regard to invitation and acceptance of tenders and for entering into agreements with contractors have been observed. The inspecting staff should also see that wherever necessary, the indenting officers have consulted the Stores Purchase Department at various stages before finalising the purchases.</p> <p>vi) The files for contract agreements should be scrutinised to see that</p> <ul style="list-style-type: none"> <li>(a) Tenders are invited in the most open and public manner;</li> <li>(b) Contracts are executed either on standard forms or on special forms prepared in</li> </ul>

	<p>consultation with the law officers of Government and the terms are precise and definite and there is no room for ambiguity or misconstruction.</p> <p>(c) Contracts are sanctioned by the competent authority and the terms once entered into are not varied without special and proper sanction;</p> <p>(d) Agreements generally provide that payment will not be made until the stores have been received and examined; and</p> <p>(e) Suitable security has been taken from the contractor for ensuring the fulfilment of contract.</p> <p>vii) In cases where a formal contract is not entered into, it should be seen that the order for supplies or for execution of works is not given without at least a written understanding about the price or the rate at which payment is to be made.</p> <p>viii) When a number of cases are noticed in which the lowest tender has not been accepted and audit considers that the accepting officer has exercised his discretion improperly ( for which view definite reasons should be given), the percentage of such cases with a bearing on the total number of cases investigated by audit and the extra cost caused to Government resulting from this should be indicated. Where a test audit has been conducted, it must always be made clear in the report that this percentage is the result of test audit and the rough proportion of the cases selected for audit to the whole should also be stated.</p> <p>ix) It will also be necessary to ascertain whether the ratio of cases of non-acceptance of lowest tender to the total number of cases examined points to the conclusion that they are merely individual lapses or are indication of a general tendency. The result of such investigation should also be included in the Inspection Report.</p>
<b>4.23</b>	Regarding the procedure of audit of Measurement Books, Muster Rolls, Works Accounts, the Manual of Public Work Inspection may be referred to.
<b>4.24</b>	<p><b>Security Deposits :</b></p> <p>It should be seen that :</p> <p>(a) Security is taken as required under rules from persons entrusted with the custody of cash or stores ;</p> <p>(b) Security deposits are covered by a proper bond or agreement setting forth the conditions under which the security is held ;</p> <p>(c) Government bonds tendered as security are taken at their face value or market value whichever is less at the time of depositing the security and re-adjustment is made if there is a subsequent appreciation or depreciation in the value, as prescribed by rules;</p> <p>(d) The register of receipts and disposal of securities is properly maintained and all entries since the previous audit are correct and acknowledgements of the depositors exist for the return of securities;</p> <p>(e) The register as well as the securities are examined at least once a year by a responsible officer of the department.</p> <p>(f) Either the securities or the acknowledgements of their authorised custodians (vide Government securities Manual) are produced for inspection;</p> <p>(g) In the case of Post Office/ Treasury Savings Bank Pass Books, they are hypothecated to the head of the office and kept in his custody.</p>
<b>4.25</b>	<p><b>Acquittance Rolls of establishments</b></p> <p>These should be examined to see that there is a proper acquittance for each amount disbursed, the amounts have been disbursed to the persons entitled to receive them and that the arrangements for keeping a proper watch over un-disbursed amounts are satisfactory. It should also be verified whether the checks prescribed in Rule 432(d) of Kerala Treasury Code are being exercised by the head of office.</p>
<b>4.26</b>	<p><b>Check of log books, etc. relating to Government vehicles including staff cars and station wagons.</b></p> <p>i) A list of staff cars, lorries, jeeps, etc. in use in the office inspected should be called for and it</p>

	<p>should be ascertained whether suitable rules and regulations regarding their use have been framed and got approved by Government. It should also be examined whether these rules and regulations are adequate and are being observed in actual practice. The log books and other connected records should be scrutinised to see that :</p> <ul style="list-style-type: none"> <li>(a) They are maintained in accordance with the rules prescribed.</li> <li>(b) Effective control is exercised over the use of the vehicles and the consumption of petrol/diesel.</li> <li>(c) The vehicles are used only under proper sanction and for authorised purposes;</li> <li>(d) Recoveries are correctly and promptly effected in cases where the vehicles are used for non-official purposes.</li> <li>(e) Entries regarding the distance between the places travelled are correct; and</li> <li>(f) The entries in the log book agree with tour diaries, if any, submitted by the officer.</li> </ul> <p>( Cir. No. OA.I/GI/4-1/75-76/16 dated 7-4-1976 ).</p> <p>NOTE : The Staff Car Rules issued by the Government of India may be referred to for guidance.</p> <p>ii) In this connection, please see Article 324 of Kerala Financial Code Volume I and the circulars of the State Government on this subject. These provide <i>inter alia</i> for scrutiny by the controlling officers to see whether the petrol/diesel purchased is accounted for in terms of miles run with reference to the tested mileage of the vehicles.</p>
4.27	<p><b>Assessment and collection of rent of Government quarters.</b></p> <p>The following details in respect of gazetted as well as non-gazetted employees should be verified in local audit to see:-</p> <ul style="list-style-type: none"> <li>i) Whether rent free quarters are being occupied by ineligible personnel;</li> <li>ii) Whether two months' deposit of standard rent is collected ( in case of deposit of family quarters of Police personnel).</li> <li>iii) Whether penal rent is realized in the case of the unauthorised occupants.</li> <li>iv) Whether register of allottees with details of allotment, date of occupation / vacation, rent collected, list of furniture, fittings etc. are properly maintained.</li> </ul> <p>( Circular No. 11 , OA(HQ)I/GI/4-5/2002-03 dated 19-12-2002)</p>
4.28	<p><b>Audit of Non-tax Receipts :</b></p> <p>The various departmental receipts are subjected to audit along with the audit of expenditure of the departments. In order to make audit of departmental receipts effective, such receipts should be subjected to detailed checks which are similar to those exercised in the audit of tax receipts. Paras relating to the non-tax receipts should be included in the Inspection Report under a separate part.</p> <p>NOTE : Non-tax receipts relating to departments, the audit of which has not been taken up by Revenue Audit wing should be audited by other wings and subjected to scrutiny as prescribed in the chapter 3 of M.S.O( Audit)Second Edition-2002. The extent of checks exercised should be specified in a special note.</p> <p>( Cir. No. OA(HQ)I/GI/84-85/597 dated 15-1-1985 ).</p>
4.29	<p><b>Advance of pay, TA on tour and transfer :</b></p> <p>Since the watching of adjustments of advance of pay and leave salary, TA on tour and transfer, advances in connection with leave travel concession etc. in Central Audit has been dispensed with, efficiency of the system and procedure for recovery of those advance in the departmental offices should be examined during local audit. The party should trace all debits and credits related to the selected month from the original vouchers or the office copies of the vouchers to the registers maintained in the office inspected. A few credits ( recoveries of advances) appearing in the registers should be traced to the office copies of original vouchers.</p>

4.30	<p><b>Social Security Schemes :</b></p> <p>I. There are mainly three social security coming under Taluk Officers/ Collectorate viz.</p> <ol style="list-style-type: none"> <li>i) Destitute Pension;</li> <li>ii) Financial Assistance to indigent TB patient and</li> <li>iii) Financial assistance to indigent leprosy and cancer patients.</li> </ol> <p>The sanctioning authority for item 2 is the District Collector and for item 1 and 3 the concerned Tahasildar. The Tahasildar is the drawing officer for all the 3 schemes. The un-disbursed amounts have to be remitted into the treasury under the head "remittance into treasury". He reports to the District Collector monthly, the details of amounts drawn, un-disbursed and remitted into treasury. He also submits to the District Collector the monthly schedule of :</p> <ol style="list-style-type: none"> <li>i) Cheques drawn ,</li> <li>ii) Remittances into treasury and</li> <li>iii) Un-disbursed amounts and a monthly accounts.</li> </ol> <p>The District Collector has to furnish to the Accountant General a compiled account of the 3 schemes for the whole District with reference to the returns received from Tahasildar supported by the schedules of :</p> <ol style="list-style-type: none"> <li>1. Destitute pension / financial assistance to TB patients, leprosy and cancer patients.</li> <li>2. Cheques drawn</li> <li>3. Remittances into Treasury</li> <li>4. Un-disbursed amounts returned by postal authorities</li> <li>5. Closing balances.</li> </ol>
II.	<p><b>Quantum of Audit:</b></p> <p>The quantum of audit fixed is one month's account in a year.</p>
III.	<p><b>Checks to be exercised :</b></p> <p>The points to be looked into during the local audit of the above schemes are given in Appendix V to this Manual</p>
IV.	<p>With effect from 1.6.1982, a new Social Security Scheme 'Kerala Agricultural Workers' Pension Scheme 1982' came into force superseding the earlier Agricultural Workers' Pension Scheme published in G.O.(P)112/80/LBR dated 28-10-1980.</p> <p>The salient features and the accounting procedure of the scheme are given in Appendix V to this Manual.</p> <p>Pension payments for the selected month are to be checked in detail. The points noticed in local audit may be incorporated in the Inspection Reports.</p> <p>( Circular No. OA(HQ)I/GI/4-1/84-85/751 dated 16-3-1985 )</p>
4.31	<p><b>Group Insurance Scheme :</b></p> <p>Local audit parties should check the transactions relating to Group Insurance Scheme 1984 at the time of local audit of the institutions on the following lines.</p> <ol style="list-style-type: none"> <li>1. Verify the office copies of the schedules attached to the pay bills in respect of the selected months with reference to the pay bills for that month.</li> <li>2. Check the nomination pasted in the service books at the time of verifying the service books.</li> <li>3. Check whether the details of the Group, and the date of commencement of subscription etc., are noted promptly in the last pay certificate of the subscriber when he/she is</li> </ol>



	<p>transferred.</p> <p>4. Verify whether the payments from the funds are covered by proper sanctions of the Directorate and the accounts shown in the bills are correct and whether the amounts are properly disbursed to the parties concerned.</p> <p>All Assistant Audit Officers/ Section Officers and Audit Officers if supervision is provided should attach a separate report after checking the transactions relating to Group Insurance Scheme 1984, along with the Draft Inspection Report. A nil report should be forwarded if there is no discrepancy/irregularity in the accounting procedure of transactions relating to the schemes.</p> <p>( Circular NO. OA(HQ)I/GI/4-1/87-99/725 dated 14-10-1987 )</p>
4.32.	<p><b>Family Benefit Schemes</b></p> <p>It has been brought to notice that some Treasury Officers have been refusing to certify the balance in respect of family benefit scheme preferred by Departmental Officers. According to para 26 of the Hand book on Family Benefit Scheme, the drawing and disbursing Officers have to reconcile the figures in the register cum Broadsheet with the figures of Treasury Officer every month under their attestation. Hence it is clarified that no certificate from Treasury Officer is required for the purpose of reconciliation of Family Benefit Scheme accounts.</p> <p>( OA(HQ)I/ GI/14-1/93-94 dated 4-5-1994 ).</p>
4.33	<p><b>Proforma Accounts :</b></p> <p>i) The watching of receipt, audit and certification of proforma accounts is entrusted to CA(HQ)rs in respect of institutions/schemes which are declared commercial and to OA(HQrs) in respect of others. As soon as a copy of the Government order requiring a Government department to maintain proforma accounts in respect of a scheme is received, the sections concerned should furnish a copy of it to OA(HQrs) section. OA(HQrs) section should enter the fact in the Programme Register and at the time of drawing up the annual list of local audit to be undertaken, such items should be included as annual items with a specific note that the proforma accounts are also to be audited. The audit of proforma accounts should not be postponed on the ground of non-receipt of accounts in time.</p> <p>The receipt and audit of the proforma accounts in respect of the following three institutions are arranged by CA(HQrs) :</p> <ul style="list-style-type: none"> <li>• Text Book Office, Thiruvananthapuram.</li> <li>• State Water Transport Department, Alappuzha.</li> <li>• State Insurance Department, Thiruvananthapuram.</li> </ul> <p>The audit of proforma accounts in respect of the following schemes is arranged by OA(HQrs):</p> <ul style="list-style-type: none"> <li>• Egg Collection and Marketing Scheme, Chengannur.</li> <li>• Poultry Feed Manufacturing and Distribution Scheme, Chengannur.</li> <li>• Intensive Poultry Development Blocks at Muvattupuzha and Pettah.</li> <li>• Rubber Plantations run by the Open Prison Nettukaltheri.</li> </ul> <p>( The list is not exhaustive)</p> <p>According to the note below Article 59 of the Kerala Account Code, Volume I, the State Government has the power to decide whether a particular department or the activity of that department shall be regarded as commercial. The departments which are declared as commercial as per local ruling under Article 59 of the Kerala Account Code, Volume I are required to maintain Proforma Accounts outside the Government Accounts vide local ruling under Article 19 of Kerala Account Code , Volume I.</p> <p>As per Section 13 (c) of CAG's (DPC) Act, 1971, it is obligatory on the part of the CAG to audit all trading, manufacturing, profit and loss accounts, balance sheet and other subsidiary accounts kept in any department of the Union or a state and in each case to report on the expenditure transactions or accounts so audited by him. In order to comply with this requirement, it is necessary for Audit to ascertain from Government the exact nature and</p>



	<p>scope of the activities of any department with a view to determining whether it is essential or advisable to maintain suitable subsidiary and proforma accounts where Government have not suo-motu decided to maintain such accounts. The question of dispensing with such commercial accounts will arise only when the nature of activities change from 'commercial' to 'service'. Even in such cases a self contained account of receipt and expenditure and in some cases a simple cost account should be maintained to indicate the financial results of the undertaking to facilitate better financial control. Government have accepted this requirement.</p> <p>In G.O.(Rt) No. 1227/86/AD dated 23-7-1986, Government have declared the following schemes of the Agricultural department as 'service activities' and have laid down the self-contained account of receipts and expenditure in respect of each scheme should be prepared within 6 months of the closing of the financial year from 1986-87.</p> <ol style="list-style-type: none"> <li>1. Manure Supply Scheme</li> <li>2. Scheme for purchase and sale of plant protection chemicals.</li> <li>3. Scheme for purchase and sale of banana suckers.</li> <li>4. Scheme for purchase and sale of pulses.</li> <li>5. Scheme for purchase and sale of paddy seeds.</li> </ol> <p>In view of the provision contained in MSO (Audit) and in the light of the Government order cited, the IAU sections in the Main and Branch Offices viz. IAU I, IAU III, IAU IV) should review the budget documents/ relevant sanctions issued by the State Government and take action, wherever necessary, to ascertain from Government the nature of the activity i.e. whether 'commercial' or service activity and take up with the State Government the question of maintenance of proforma accounts in the case of activities declared as commercial and at least a simple self-contained account of receipts and expenditure or a simple cost account in the case of trading / manufacturing operations treated as service activity. The audit of self contained account of receipts and expenditure/ cost account is also to be arranged by OA(HQ)I.</p> <p>( Circular Coordn.I/12-41A/303 dated 31-3-1978 and Co-ordn(Au)/II/12-41 dated 27-10-1986 )</p> <p>ii) During the audit of subsidiary accounts of Government Commercial and quasi-commercial departments, undertakings etc. kept on proforma basis outside the general accounts of Government, it should be seen that :</p> <ol style="list-style-type: none"> <li>(a) The figures appearing in the proforma accounts tally with the figures booked in the office of the A.G.(A&amp;E) under various heads.</li> <li>(b) The proforma accounts present full and true picture of the financial result of the transactions of the undertakings, schemes in terms of commercial ideas of liabilities and assets, debits and credits, profit and loss.</li> <li>(c) The allocation of expenditure between the capital and revenue is correct, the valuation of assets is on a reasonable basis and there is provision for depreciation and bad debts. At the same time it is not necessary that every practice of commercial audit should be applied meticulously.</li> </ol> <p>The above instruction apply mutatis mutandis to the audit of self contained account of receipts and expenditure and cost account.</p>
4.34	<p><b>Audit of Special fees collected in schools :</b></p> <p>According to the instructions issued under Sub-Rule (4) rule 11 of Chapter XII of the Kerala Education Rules, 1959, the Headmaster is required to maintain cash book for each item of Special fees and a stock register of articles purchased and utilised. As separate cash book is to be maintained for each item, the routing of transactions relating to special fees through the main cash book is not warranted. Since the amount collected by way of special fees and the assets acquired with it form part of Government/ School property, Local Audit Parties should ensure that the amount collected has been properly accounted for and that the money has been spent only for purposes specified by Government. Hence parties and supervising officers should ensure that the special fees accounts and the transactions</p>

	<p>thereunder are scrutinised during audit.</p> <p>( Circular No. OA(HQ)/Gl./4-1/86-87/10 dated 26-8-1986 ).</p>
<b>4.35</b>	<p><b>Audit of centrally assisted / sponsored schemes.</b></p> <p>Local audit parties visiting offices for routine expenditure audit are to audit the accounts of the centrally assisted/sponsored schemes. For this purpose, the local audit party must ascertain from the office visited whether any centrally assisted scheme is implemented by that office. A separate report should be sent to EAP Section, Office of the Principal Accountant General (Audit), Thiruvananthapuram, by all the local audit parties in the form given below. If no such schemes are implemented by the office visited by the Audit party, a nil report should invariably be sent to EAP Section.</p> <p style="text-align: center;">Form of Report 50% / 100% centrally sponsored schemes.</p> <ol style="list-style-type: none"> <li>1. Office/Department visited</li> <li>2. Party who conducted audit</li> <li>3. Period covered during the audit</li> <li>4. Nomenclature of the scheme</li> <li>5. Whether statement of annual expenditure of the scheme is obtained and forwarded duly checked with relevant documents.</li> <li>6. Audit observation/objections.</li> </ol> <p style="text-align: right;">Signature of AO/AAO/SO</p> <p>( Circular No. OA(HQ)/Gl./4-1/87-88/10 dated 10-8-1987 ).</p>
<b>4.36</b>	<p><b>Audit of deposit repayment vouchers.</b></p> <p>The items of work relating to deposit transactions were transferred from central audit to local audit. The field parties should check the vouchers of deposit repayment pertaining to the selected months and forward with the inspection reports of offices, a special report giving the number of vouchers audited.</p> <p>Supervising Officer or in his absence, the senior Asst. Audit Officer/Section Officer should ensure that the special report is sent to OA(HQrs).</p> <p>( Circular No. 5 dated 20-8-1985 of OA(HQrs). )</p>
<b>4.37</b>	<p><b>Audit relating to change in destination of grant</b></p> <p>The Comptroller and Auditor General of India has suggested to propose a para on "change in destination of grant " with effect from the Audit Report of 1984-85. Comment on the irregularities noticed in this regard by OA Parties is to be incorporated by them in the Draft Inspection Reports, under the heading "change in destination of grant".</p> <p>( Circular No. OA(HQ)/Gl./2-59/85-86 dated - 7.1985 ).</p>
<b>4.38</b>	<p><b>Account records not specifically mentioned.</b></p> <p>All other account records not specifically mentioned in the preceding paragraphs or in the chapter dealing with the audit of accounts of the particular office or institution should be examined to see :</p> <ul style="list-style-type: none"> <li>• That they are maintained in accordance with the prescribed rules and are up-to-date; and</li> <li>• That they are periodically reviewed by a responsible officer.</li> </ul>

4.39	<p><b>Dealing with Fraud and Corruption</b></p> <p>Fraud and corruption have increasingly become important concerns for countries around the world. In the broadest of the terms, fraud can be defined as a deliberate misrepresentation of facts and significant information to obtain undue or illegal financial advantage, and corruption can be termed as an effort to influence or abuse public authority through the giving or the acceptance of inducement or illegal reward for undue personal or private advantage.</p> <p>Bribery, falsifying a material fact, embezzlement, collusive bidding, price fixing or bid-rigging, over or under invoicing, extortion using official authority, nepotism and favouritism, tax or duty evasion, computer fraud, etc., are some of the most typical fraud and corruption.</p> <p>Fraud poses a serious problem from an audit perspective because it is normally accompanied by efforts to cover, falsify and misdirect entity records and reporting. Fraud and corruption are interlinked, although certain types of fraud do not necessarily qualify for being viewed as corruption and can be perpetrated by an individual or a small group.</p> <p>While fraud and corruption should be perceived independently for their numerous implications, the auditor should be well aware of the complex correlation between the two. Fraud and corruption includes both those committed by government employees or management of an auditee and those perpetrated against the auditee by outside individuals or groups.</p> <p>Auditors should be alert for situations, control weaknesses, inadequacies in record keeping, errors and unusual transactions or results which could be indicative of fraud, improper or unlawful expenditure, unauthorized operations, waste, inefficiency or lack of probity.</p> <p>In searching for the evidence of fraud and corruption, the auditor must always search for the strongest possible evidence and investigate it without delay. In doing this, even small clues or leads should not be ignored and facts that confirm or refute suspicions should be looked for.</p> <p>The auditor should concentrate on the weakest point in the fraud and corruption and must identify and summarize the evidence indicating that fraud and corruption may have been committed. The possible extent of the fraud and corruption should be identified, the pattern used in covering up the fraud and corruption explained and any possibility of collusion examined.</p> <p>The possible scenario of fraud and/or corruption should be identified and summarized, the accounting and control systems involved, the paper trail involved in the transaction and the deviations from the systems explained.</p> <p style="text-align: center;">The auditor may rely on the following sources for evidence:</p> <ul style="list-style-type: none"> <li>• Originals or photocopies of documents from the auditee.</li> <li>• Internal Audit Report</li> </ul>

- Information collected by interviewing various employees of the auditee.
- Report on physical verification, inspection and observation of documents
- Reply to questionnaire issued to the auditee
- Information obtained from other related parties like bank, treasury, etc.
- Results of analysis of financial and non-financial information
- Expert opinion

It is an essential function of management to establish controls and safeguard assets of the entity. However, it does not relieve the auditor of his responsibility to provide a creditable assurance within his supreme audit institution's audit mandate about the actions taken by the management or those that may materially affect the picture that emerges from audited financial reports.

When cases of fraud, defalcation, etc. come to notice during local audit, audit should carefully examine the case to ascertain whether the defalcation or loss was rendered possible by any defect in the rules or whether it was due to neglect of rules or lack of supervision on the part of the treasury or other authorities. Audit party should report the matter to the Head of office and request him to keep the connected records in his safe custody, simultaneously reporting the matter to the Deputy Accountant General (IC) for further action.

(Auth: ASOSAI Guide Lines for dealing with Fraud and Corruption)

**Annexure**  
**( para 4.18 (v) )**

List of departments which are maintaining stock accounts in terms of Article 149 (1) , Kerala Financial Code, Volume I.

1. Central Stamp Depot, Thiruvananthapuram.
2. Animal Husbandry Department, Thiruvananthapuram.
3. Police Department, Thiruvananthapuram.
4. Jails Department, Thiruvananthapuram.
5. Printing Department, Thiruvananthapuram.
6. Stationery Department, Thiruvananthapuram.
7. Forest Department, Thiruvananthapuram.
8. Department of Indian System of Medicine ( including Ayurveda Colleges at Thiruvananthapuram and Thrippunithura).
9. Health Transport Organisation, Thiruvananthapuram.
10. Government Medical Stores, District Medical Stores.
11. Fire Force Department, Thiruvananthapuram.
12. Industries & Commerce Department, Thiruvananthapuram.
13. Homoeopathy Department, Thiruvananthapuram.
14. Employees State Insurance Scheme, Thiruvananthapuram.
15. Agriculture Department, Thiruvananthapuram.
16. Fisheries Department, Thiruvananthapuram.
17. Ports Department, Thiruvananthapuram.
18. Directorate of Scheduled Caste Development, Thiruvananthapuram.
19. Directorate of Scheduled Tribes Development, Thiruvananthapuram.
20. Commissioner of Land of Revenue, Thiruvananthapuram ( Stock accounts of opium and ganja).
21. Commissioner of Excise, Thiruvananthapuram ( Stock accounts of Excise Department).
22. P.W.D. ( Buildings & Local Works )
23. P.W.D. ( Roads and Bridges).
24. Treasuries and Non-postal stamps ( Judicial and Non-Judicial)
25. Public Relations Department, Thiruvananthapuram.

<b>CHAPTER 5</b> <b>VERIFICATION OF SERVICE BOOKS, LEAVE ACCOUNTS AND INCREMENTS</b>									
<b>5.01</b>	In the offices inspected, the local audit staff should examine the service books and leave accounts of non-gazetted Government servants to ensure that they are kept according to rules. With the discontinuance of the Annual Establishment statements, the service books are the only documents for the verification of service for pensions and therefore adequate attention should be paid during local audit to the verification of service books.								
<b>5.02</b>	<p><b>Quantum of check.</b></p> <p>The service books of the members of staff in an office should be checked to the extent prescribed below :</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Periodicity of audit</u></th> <th style="text-align: left;"><u>Quantum of check to be done.</u></th> </tr> </thead> <tbody> <tr> <td>Annual</td> <td>25 percent</td> </tr> <tr> <td>Biennial</td> <td>50 percent</td> </tr> <tr> <td>Triennial, quadrennial and quinquennial</td> <td>100 percent.</td> </tr> </tbody> </table> <p>Service books should be checked in such a way that all the service books are subjected to audit scrutiny in a cycle of four years.</p> <p>However the service books of persons due to retire within the next five years should invariably be checked even if the percentage exceeds the quantum of audit and while scrutinising the service books of these persons the following checks should be exercised :</p> <ol style="list-style-type: none"> <li>1. The party should ensure that, the service book is complete in all respects and events affecting pension have been clearly spelt out along with the remarks of the competent authority and there are no missing links.</li> <li>2. The party should also check that the nominations regarding Death-cum-Retirement Gratuity, GPF, FBS, etc have been made by Government servants who are due to retire and suitable note has been kept in the service books. Cases where the nominations are not available are to be brought to the notice of the Head of the Office.</li> </ol> <p>A separate note containing the following details of verification should be furnished by the Local Audit party along with the Inspection Report :</p> <ol style="list-style-type: none"> <li>(i) Total number of service books maintained in the office.</li> <li>(ii) Number of service books selected for scrutiny according to quantum fixed.</li> <li>(iii) List of persons due to retire within the next five years ( the party should mark in the list the names of persons due to retire within the next 18 months).</li> <li>(iv) A certificate by Local Audit party that the requirements of para 3 (ii) and (iii) of CAG's letter No.29 Audit-II/85 ( No.1010-Audit-II/218-85 ) dated 2-7-1985 have been observed and that nominations in respect of GPF/DCRG etc. have been ensured and that nominations in respect of personnel and suitable notes have been kept in the Service Books.</li> </ol> <p>Local audit parties auditing Government Upper Primary and Lower Primary schools should ensure that all the service books in the schools are checked during audit.</p> <p>In respect of Police Offices the service rolls of constables and head constables are to be treated as Service Books and OA Parties should ensure that the prescribed number of Service Books in the Police Offices are checked and a list of Service Books/ Service Rolls checked sent along with the Inspection Report.</p> <p>( OA(HQ)/GI/4-1/84-85/83 dated 5-5-1984, AG's Cir. No. 29-Aud-II/85 ( No.1010-Aud.II/218-85 ) dated 2-7-1985, OA(HQ)/GI/4-1/85-86 dated 10-9-1985, OA(HQ)/I/4-1/86-87 dated 2-1-1987)</p>	<u>Periodicity of audit</u>	<u>Quantum of check to be done.</u>	Annual	25 percent	Biennial	50 percent	Triennial, quadrennial and quinquennial	100 percent.
<u>Periodicity of audit</u>	<u>Quantum of check to be done.</u>								
Annual	25 percent								
Biennial	50 percent								
Triennial, quadrennial and quinquennial	100 percent.								

<b>5.03</b>	<p>In the case of offices where local audit is not conducted regularly, the service books and leave accounts of non-gazetted Government servants should be made available to the local audit party when they visit the headquarters station of the area wherein these offices are located. The OA (HQrs) Section will issue intimation to the offices concerned to furnish the relevant documents to the local audit staff at the specified place. The heads of such offices may also be asked to send the service books ( including leave accounts) of non-gazetted employees who are due to superannuate during the next five years, to the Central Office. Alternatively Special Audit Party will be formed for undertaking the verification as and when found necessary.</p> <p>( CAG's Lr. No. 32 Admn.II/349-61 dated 4-1-1963. Case T.M. V.13-4/62-63).</p>
<b>5.04</b>	<p><b>Check of Service Books and Leave Accounts.</b></p> <p>While checking the service books it should be seen that</p> <ul style="list-style-type: none"> <li>(i) A service book is maintained for every non-gazetted Government Servant in accordance with the rules applicable to him with necessary leave accounts in the prescribed form and that it is kept up to date.</li> <li>(ii) Entries of all events in the official career of a Government Servant are made in his Service Book and attested by competent authority.</li> <li>(iii) The service books contain certificate of annual verification of service with reference to Acquittance Rolls etc.</li> <li>(iv) No alteration of the date of birth is made without sanction of the competent authority.</li> <li>(v) The entries in the first page are re-attested every five years</li> <li>(vi) The entries in the pay column in the service book are verified with reference to the office copy of pay bills for the month or the months selected for detailed audit to see that they agree.</li> <li>(vii) That excess leave granted/ surrendered or excess leave salary drawn if any, are regularised early, especially in the case of persons who are likely to retire from service before the next inspection.</li> </ul> <p>It should be remembered that in addition to a complete check of the service books and leave accounts selected, the inspection staff should give suitable instructions to the staff of the office concerned to ensure proper maintenance of all service books and leave accounts.</p>
<b>5.05</b>	<p><b>Register for recording particulars of special kinds of leave.</b></p> <p>A record of various kinds of special leave granted to Government servants from time to time, should be maintained in a register in the prescribed form by the sanctioning authority in order to facilitate the check by local audit parties to see whether the conditions for the grant of the same have been fulfilled in individual cases. This register may be specially looked into in local audit.</p> <p>( Govt. of India, Ministry of Finance O.M. No. 7 ( 204) F IV/59 dated 2-1-1960 and Government of Kerala Order No. 53 dated 2-7-1960 ).</p>
<b>5.06</b>	<p><b>Audit enfacement.</b></p> <p>The service books checked during local audit should bear an audit enfacement in the following form duly signed by the supervising officer/ AAO / SO in charge of the Audit Party. The signature should be dated.</p> <p>"Checked during the local audit / inspection and found in order ".</p> <p>A certificate to the effect that the service books have been checked and audit enfacement furnished in the service books should also be recorded in the title sheet of the Inspection Report.</p> <p>( T.M.V/13-4/62-63/50 dated 3-12-1962 and OAD/Misc/62-63/856 dated 11-10-1962 ).</p>
<b>5.07</b>	<p><b>Check of retention in service beyond the date of superannuation.</b></p> <p>All local Audit Parties should ensure during local audit that the checks prescribed in rule 150 of K.S.R. Part III are carefully complied with by the Heads of Offices. The parties should also carry out</p>



	<p>the checks prescribed in circular No. OA(HQ)I/GI/4-1/85-86/381 dated 10-9-1985 and No. 454 dated 16-10-1985. They should furnish a declaration that the checks prescribed in the OA Circulars had been exercised and that it had been satisfied during local audit that no Government Servant had been retained in service beyond the date of superannuation without proper authority. This declaration should be incorporated in the list of retiring Government Servants required to be obtained from the head of the Office concerned to be attached to the local audit report as per the para (iii) of OA(HQ) Circular No. 381 dated 10-9-1985.</p> <p>( OA(HQ)I/ GI/ 4-1/86-87 dated 20-8-1986 ).</p>
<b>5.08</b>	<p><b>Personal claims of State Government Officers</b></p> <p>At the time of local audit at each Office the Supervising Officer/ AAO/ SO should collect the details of all the personal claims to State Government employees ( both Gazetted and Non-Gazetted) such as pay slips, claims on account of pension, provident fund etc. pending settlement. The details collected should be sent to the personal address of the Group Officer concerned. The fact of having done so should also be indicated in Part B of the Title Sheet. In the case of institutions where there are no details to be collected, a "Nil" remark should be indicated in the Title Sheet.</p>
<b>5.09</b>	<p><b>Issue of audit enquiry regarding recovery of excess payments etc.</b></p> <p>During the course of audit of expenditure, field parties issue audit enquiries to Heads of Office directing them to recover the excess payments made on account of irregular fixation of pay of serving Officers of various departments of Government of Kerala. When the affected officers approach Courts with a plea to quash such directions, Headquarters Office find it difficult to defend the cases through Advocate General. Hence, all Audit Parties are directed not to issue any 'directions' to the departmental officers for recovery of excess payments/ re-fixation of pay etc. while detecting any irregularity. Instead, the departmental Officers may be asked to re-examine the case based on the orders/ directions issued by Government, quoted in the Audit Enquiry.</p> <p>( Circular No. Co-ordn(Au)/11-147/383 dated 19-3-1996 ).</p>

<b>CHAPTER 6</b>	
<b>AUDIT OF LOANS</b>	
<b>6.01</b>	<p>The instructions pertaining to loans granted by Government can be broadly classified into two categories :</p> <ul style="list-style-type: none"> <li>(i) Loans in respect of which Accountant General's Office is responsible for maintenance of detailed accounts and for watching the prompt recovery of principal and interest.</li> <li>(ii) Loans in respect of which the above responsibility rests with the departmental officers and for that reason, only lump sum amounts are posted in the records maintained in the Accountant General's Office.</li> </ul> <p>Local audit is undertaken by Accountant General's Office in respect of the second category only. The audit is conducted in the office of the authorities responsible for the maintenance of the accounts records of the loans and is usually taken up along with the regular audit of the expenditure.</p>
<b>6.02</b>	<p><b>Scope of audit :</b></p> <p>The main object of local audit is to ensure that the loans disbursed are covered by sanction of competent authority and are in accordance with the prescribed rules. The payments are recorded in the relevant registers and their proper utilisation and recovery are closely watched by the department.</p>
<b>6.03</b>	<p><b>Accounts Records:</b></p> <p>The various accounts records to be maintained by the departmental officers in respect of the loans sanctioned by the departments are enumerated in the instructions issued by the Government or the Heads of the Departments from time to time. These instructions should be studied by the local audit staff before commencing audit.</p> <p>The more important accounts records are given below :</p> <ul style="list-style-type: none"> <li>i) Application for loans and enquiry reports.</li> <li>ii) Valuation reports of properties offered as security.</li> <li>iii) Loan orders ( Sanctions )</li> <li>iv) Payment vouchers with acknowledgment of loanees.</li> <li>v) Security bonds.</li> <li>vi) Periodical progress reports to higher authorities.</li> <li>vii) Loan ledgers and subsidiary registers, if any.</li> <li>viii) Control Register.</li> </ul>
<b>6.04</b>	<p><b>Process of audit</b></p> <p>(a) It should be seen that --</p> <ol style="list-style-type: none"> <li>1. the application are in proper form and contain all the required details essential for the sanction of loans.</li> <li>2. the security offered is free from encumbrances, is up to the percentage as stipulated in rules and necessary solvency certificates have been obtained wherever necessary.</li> <li>3. the loan order is within the amount admissible under the rules and within the power of the sanctioning authority.</li> <li>4. the amounts sanctioned are according to the immediate requirements.</li> <li>5. the amounts are drawn and disbursed only up to the required extent and not with a view to avoid lapsing of funds.</li> <li>6. the receipt and disbursement of money are promptly and properly recorded in the cash book.</li> <li>7. the security bond is kept in safe custody</li> <li>8. the fact of payment is clearly recorded and acknowledgement obtained from the loanees.</li> <li>9. when the loan amount is disbursed in instalments, the conditions stipulated for the release of each instalment are satisfied.</li> </ol>

	<p>10. the recovery of principal and interest is prompt and that in case of default, action is taken to recover the instalments with penal interest at the prescribed rate.</p> <p>11. in cases where the authority for recovery of the instalments of loan and the interest is vested in the Revenue Department, necessary advice or intimation in the prescribed form is sent to them promptly and certificates or acknowledgements are obtained wherever necessary;</p> <p>12. the loan ledgers and other subsidiary registers prescribed are maintained in the proper form observing the instructions issued from time to time, and kept up to date.</p> <p>13. the periodical returns prescribed have been prepared and sent on the due dates to the authorities concerned.</p> <p>14. the demand, collection and balance statement shows the position correctly on any fixed date;</p> <p>15. the loans are utilised for the purpose for which they are granted, and there are no cases of diversion of funds and that there are proper methods for ascertaining the same;</p> <p>16. the details of loans work up correctly to the lump sum total for the months and there is proper reconciliation of the figures of the treasury with those of the parties concerned; and</p> <p>17. the broadsheets in respect of functional loans and advances prescribed in G.O.(P)163/85/Fin dated 18-3-1985 are maintained by the Chief Controlling Officer and sub-controlling officers and the directions issued therein are followed by them.</p> <p>( Endt. No. OA(HQ)I/GI./4-1/85-86 dated 24-6-1985 )</p> <p>(b) The correctness of the maintenance of records and recovery of the advances should be checked in local audit during the inspection of various offices. Check of debits during the months selected for detailed check should be conducted with reference to the payment details obtained from the concerned treasury.</p> <p>The correctness of the Monthly Statement prepared by the Drawing Offices for communication to the Chief Controlling Officer and the Central Register maintained by the Chief Controlling Officer should be critically examined. The result of this examination should be incorporated in the Inspection Reports in two distinct paras captioned "Onam Advances" and " Other short term Loans and Advances".</p> <p>( Circular No. OA I/GI/ 4 -1/74-75/680 dated 10-2-1975 )</p>
<b>6.05</b>	<p><b>Loans under the Low Income Group Housing Scheme and Middle Income Group Housing Scheme.</b></p> <p>During local audit of Collector's Office and Taluk Offices the accounts of these loans should be carefully scrutinised with reference to the relevant rules.</p>
<b>6.06</b>	<p><b>Inspection Report :</b></p> <p>The results of audit should be incorporated in the Inspection Report of the office, the expenditure of which is locally audited.</p>
<b>6.07</b>	<p><b>Material to be collect for the Audit Report</b></p> <p>Major irregularities in the administration of loans and advances have to be commented in the Report. For this purpose, the local audit parties should collect material on the lines indicated in the Annexure to this chapter.</p>

**ANNEXURE**  
**( Vide Para 6.07 )**

**Loans and advances -- Materials to be collected for the Report of the Comptroller and Auditor General.**

The Comptroller and Auditor General of India has decided that major irregularities in the administration of loans and advances including chronic delays should be commented upon in the Audit Report. In order to enable this to be done, the local audit parties should collect materials on the following points as and when they visit various offices where the initial accounts of loans are kept, like office of Heads of Departments, Collectorates, Regional Offices, Block Offices, offices of Revenue Divisional Officers, Tahsildars etc.

1. The broad features of the loans, the detailed accounts of which are maintained by the office;
2. the total amount of loans paid under each category and the amount outstanding as at the end of 31<sup>st</sup> March of the previous financial year;
3. the number of loans and the number of cases where the payment of principal was due on the 31<sup>st</sup> March and whether the repayments are being made promptly;
4. the number of defaulted loans under each category of loans whose repayment of instalments was due on 31<sup>st</sup> March, the amount involved in defaulted cases and the number and amount of cases where default is more than 6 months, more than one year, more than 2 years, more than 3 years etc.
5. the extend of default in the payment of interest should be brought out with category-wise and year-wise break up;
6. Whether levy of penal interest has been provided for in the rules in case of default if so, whether such penal interest is being recovered. Cases of non-recovery should be specially mentioned.
7. whether the office is taking prompt action for the collection of instalments and whether action taken is adequate;
8. whether the proper utilisation of the loans as per rules governing the loans are being watched and if not in how many cases this is not being done and the details of such cases, whether utilised loans are being got refunded in all cases should be specially looked into and the position commented. The irregularities noticed in the utilisation of loans should be specifically mentioned;
9. whether the rules provide for obtaining certified accounts or other documents from the loanees and if so, whether the receipt of the same is being watched;
10. what is the state of initial accounts maintained by the office. Whether sufficient attention is being paid by the department to keep the loan registers up to date, to issue notices for repayments, to watch the repayments and to take action against defaulters.
11. whether the rules provide for executing bonds or mortgage deeds and taking adequate securities etc., whether all such conditions are being observed, instances of violation should be given in detail ;
12. whether any loans are being written off and if so, details thereof with copies of relevant correspondence.
13. details of loans affected by moratorium if any sanctioned by government.
14. details of loans for which the terms and conditions have been fixed by Government.
15. whether a system for communication of outstanding balances at the end each year to the loanees for acceptance is obtaining.

The above instructions are not exhaustive. The audit parties should also collect materials on other important points, if any, which strike them as fit for inclusion in the Report of the Comptroller and Auditor General. The materials thus collected should be included in a special report and got verified and certified by the departmental officers and sent to OA( HQ)rs. The special reports will be edited by O.A.(HQ)rs and forwarded to Report Section for further action.

( A.G.'s orders dated 24-1-1968 in A.A.D. file communicated to OAD Parties in OA-I/4-162-63/176 dated 31-1-1963 and Report Section file relating to para 1.2.10 of Audit Report for 1985-86).

<b>CHAPTER 7</b>	
<b>AUDIT OF AUTONOMOUS BODIES</b>	
<b>7.01</b>	<p>Audit of autonomous bodies is to be conducted by local audit parties with reference to the "Manual of Instruction for audit of autonomous bodies" issued by the Comptroller and Auditor General of India. This manual apart from incorporating guidelines for conduct of audit for certification of accounts of autonomous bodies and review of their performance presents together various instructions issued from time to time for the conduct of audit under Sections 14,15,19 and 20 of the C&amp;AG's ( Duties, Powers and Conditions of Service) Act, 1971 and is supplemental to those contained in the C&amp;AG's Manual of Standing Orders (Audit). The instructions in the manual are not exhaustive and have to be supplemented in the filed with reference to the nature of the organisations and transactions of different autonomous bodies. Additional instructions for the conduct of audit of central autonomous bodies are contained in the "Manual of Central Departments and Organisation" issued in 1982 by the Accountant General.</p> <p>Special Cell (HQ) Section is responsible for co-ordinating the work relating to the audit of autonomous bodies such as identification and selection of institutions attracting audit under Sections 14 and 15, initiation of correspondence with Government/ C&amp;AG's Office in connection with entrustment of audit under Section 19 and 20 ( except section 19(i) relating to Government companies which is attended to by Commercial Audit Section ), collection of materials required for periodical statement to be sent to the C&amp;AG, from OA Headquarters and OA Central, their consolidation and despatch. The audit of institutions under Section 15 is arranged by Special Cell ( Headquarters) and the issue, pursuit and settlement of inspection reports in this regard is attended to by this section. Audit under Sections 19 and 20 is arranged by OA Headquarters/ OA Central as the case may be and action on the results of audit is taken up by these sections.</p>
<b>7.02</b>	The audit and certification of Autonomous Bodies under the State Government is entrusted with the OA(HQ)I Section in the Branch Office of the Principal Accountant General Kerala(Audit) at Thrissur. The work is a specialized one and undergoes many stages before the final audit report is issued.
<b>7.03</b>	<p>The audit and certification of Autonomous Bodies is taken up under the provisions of Section 19 and 20 of the Comptroller and Auditor General's (Duties Powers and Conditions of Service) Act 1971.(Vide. Annexure-1 to Chapter 1).The following Autonomous Bodies are dealt with in OA(HQ)I as on 1-1-2006.</p> <ol style="list-style-type: none"> <li>1. Kerala Khadi and Village Industries Board, Thiruvananthapuram-<b>KKVIB</b>-(Section-<b>19(3)</b>)</li> <li>2. Kerala Command Area Development Authority-Thrissur- <b>CADA</b>(Section-<b>19(3)</b>)</li> <li>3. Kerala Building and Other Construction Workers Welfare Board-Thiruvananthapuram- <b>KBOCW</b>(Section-19-(2))</li> <li>4. Kerala State Commission for Backward Classes, Thiruvananthapuram-<b>KSCBC</b> (Section <b>19(3)</b>)</li> <li>5. Kerala State Human Rights Commission Thiruvananthapuram-<b>KSHRC</b>(Section 19 (2))</li> <li>6. Kerala Institute for Labour and Employment-Thiruvananthapuram - <b>KILE</b> (Section <b>20(1)</b>)</li> <li>7. Kerala State Legal Services Authority -<b>KELSA</b> (Section-19(2))</li> <li>8 to 21 District Legal Services Authorities-<b>DLSA</b>.14 Nos.(Section 19(2))</li> </ol>
<b>7.04</b>	<b>Entrustment of audit</b>
	<p>Specific orders of Government/Body and the Comptroller and Auditor General of India are required for taking up the audit and certification of accounts of certain Autonomous Bodies under Section 19(3) and 20(1) of C&amp;AG's DPC Act. Action in this regard is to be initiated by the Special Cell Headquarters at Main Office Thiruvananthapuram. Special Cell will address the Govt/Body and the CAG on this matter. When the concurrence is received, the fact will be intimated to the OA(HQrs). The position of entrustment of audit to CAG as on 1-1-2006 is as follows:</p>

	<ol style="list-style-type: none"> <li>1. KKVIB, Thiruvananthapuram      Section 19(3)      Upto 2002-03</li> <li>2. CADA , Thrissur                              Section 19(3)      Upto 2004-05</li> <li>3. KSCBC, Thiruvananthapuram.      Section 19(3)      Upto 2006-07</li> <li>4. KILE, Thiruvananthapuram.      Section 20(1)      Upto 2006-07</li> </ol>																								
<b>7.05</b>	<b>Time frame</b>																								
	<p>The audit and certification is done as per the instructions contained in the Manual of Instructions for Audit of Autonomous Bodies issued by the Comptroller and Auditor General of India and as per circular instructions issued from time to time from his office. .</p> <p>Comptroller and Auditor General has fixed the following time frame (Vide HQrs Circular letter No.173-Rep(AB)/27-84(I) dated 10-9-1999)for the processing of Separate Audit Reports(SAR)</p> <table border="1" data-bbox="328 712 1449 1491"> <tr> <td data-bbox="328 712 432 775">1.</td> <td data-bbox="432 712 1086 775">Availability of accounts</td> <td data-bbox="1086 712 1449 775">By 30<sup>th</sup> June</td> </tr> <tr> <td data-bbox="328 775 432 837">2.</td> <td data-bbox="432 775 1086 837">Completion of audit</td> <td data-bbox="1086 775 1449 837">By 31<sup>st</sup> August</td> </tr> <tr> <td data-bbox="328 837 432 960">3.</td> <td data-bbox="432 837 1086 960">Draft SAR to Chief Executive for reply. ( Only two weeks time for receipt of replies from the autonomous body i.e. up to 30<sup>th</sup> September ).</td> <td data-bbox="1086 837 1449 960">By 15<sup>th</sup> September</td> </tr> <tr> <td data-bbox="328 960 432 1084">4.</td> <td data-bbox="432 960 1086 1084">Draft SAR to C&amp;AG whether reply of autonomous body is received or not ( If reply received, with aide-memoir).</td> <td data-bbox="1086 960 1449 1084">By 7<sup>th</sup> October</td> </tr> <tr> <td data-bbox="328 1084 432 1178">5.</td> <td data-bbox="432 1084 1086 1178">Approved SAR will be sent by HQrs within two weeks from the receipt from field office.</td> <td data-bbox="1086 1084 1449 1178">By 21<sup>st</sup> October</td> </tr> <tr> <td data-bbox="328 1178 432 1272">6.</td> <td data-bbox="432 1178 1086 1272">Final SAR in English version with Audit Certificate to be issued to the Autonomous body.</td> <td data-bbox="1086 1178 1449 1272">By 31<sup>st</sup> October</td> </tr> <tr> <td data-bbox="328 1272 432 1364">7.</td> <td data-bbox="432 1272 1086 1364">Hindi version of final SAR where this is done by AG/PDA themselves.</td> <td data-bbox="1086 1272 1449 1364">By 15<sup>th</sup> November</td> </tr> <tr> <td data-bbox="328 1364 432 1491">8.</td> <td data-bbox="432 1364 1086 1491">Copy of SAR with Audit Certificate as issued to the Autonomous Body should be endorsed to HQrs. simultaneously.</td> <td data-bbox="1086 1364 1449 1491">By 31<sup>st</sup> October</td> </tr> </table> <p>This again has been reiterated as per Circular letter of Hqrs No.1-Rep(AB)/171-2005 dated 3-1-2006.</p>	1.	Availability of accounts	By 30 <sup>th</sup> June	2.	Completion of audit	By 31 <sup>st</sup> August	3.	Draft SAR to Chief Executive for reply. ( Only two weeks time for receipt of replies from the autonomous body i.e. up to 30 <sup>th</sup> September ).	By 15 <sup>th</sup> September	4.	Draft SAR to C&AG whether reply of autonomous body is received or not ( If reply received, with aide-memoir).	By 7 <sup>th</sup> October	5.	Approved SAR will be sent by HQrs within two weeks from the receipt from field office.	By 21 <sup>st</sup> October	6.	Final SAR in English version with Audit Certificate to be issued to the Autonomous body.	By 31 <sup>st</sup> October	7.	Hindi version of final SAR where this is done by AG/PDA themselves.	By 15 <sup>th</sup> November	8.	Copy of SAR with Audit Certificate as issued to the Autonomous Body should be endorsed to HQrs. simultaneously.	By 31 <sup>st</sup> October
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<b>7.06</b>	<b>Checking of accounts received</b>																								
	<p>On receipt of the accounts in OA(HQrs) it should be examined in detail to ensure that the following documents are received.. Five sets of annual accounts should be submitted by the organisation .</p> <ol style="list-style-type: none"> <li>1. Balance sheet- duly authenticated</li> <li>2. Income and expenditure account duly authenticated</li> <li>3. Receipt and Payment account duly authenticated</li> <li>4. Schedules supporting the figures in Balance Sheet .</li> <li>5. Significant Accounting policies.</li> </ol>																								

	<p>6. Notes on Accounts.</p> <p>7. Minutes of the Meeting of the Authority /Body approving the annual accounts.</p> <p>8. The accounts should not bear the seal and signature of the Chartered Accountant who prepared the accounts.</p> <p>If omissions are noticed in this regard, the wanting documents should be called for immediately. The date on which the wanting documents are received is deemed to be the date of receipt of accounts .</p>
<b>7.07</b>	<b>Arrangement of audit.</b>
	<p>Immediately on receipt of annual accounts of a body, suitable party/parties should be identified for the audit of annual accounts and audit of transactions. In the case of small bodies audit of both annual accounts and transaction can be entrusted to one and the same party. But in the case of large bodies like KKVIB, CADA, and KBOCWVB it is advisable to deploy 2 parties one for the audit of annual accounts and the other for the audit of transactions. A Sectional Order should be issued for the selection of parties and supervising officer for arranging of audit. A copy of the Sectional Order should invariably be sent to the Secretary to Principal accountant General(Audit), Thiruvananthapuram.</p> <p>The Parties and Supervising officer should be directed to report to OA(HQ)I for briefing regarding the nature of audit, previous audit report and inspection report, major points that may come across during audit . The accounts should be handed over to the Party. The above directions should be conveyed in the form of a Note.</p>
<b>7.08</b>	<b>Audit and certification</b>
	<p>The audit and certification of the accounts of the AB should be done as per directions contained in the Manual of Instructions for the Audit of Autonomous Bodies with reference to the Acts and Rules of the Body concerned. General principles of commercial accounting will apply to the Bodies and the accounts viz. Balance Sheet, Income and Expenditure Account and Receipts and Payments Accounts should be subjected to thorough scrutiny and comments included in the SAR.</p>
<b>7.09</b>	<b>Audit procedure</b>
	<p>(a) On commencing audit, as the first step, the adequacy of various accounting systems and procedures, whether set out in the form of a manual or otherwise, should be examined and the extent of check of individual transactions should be determined based on the results of such examination. This is all the more necessary since generally only a small percentage of the transactions are checked in audit and Audit cannot escape responsibility if significant deficiencies in the accounting systems and procedures lead to misuse or abuse of public monies. Though Audit cannot insure against defalcation and frauds, the possibility of their occurrence should be duly kept in mind while preparing for and conducting audit.</p> <p>(b) Sanction constituting local bodies ordinarily prescribe what classes of expenditure are to be admitted against them and who will be the controlling authority. The Accountant General should see that the prescribed rules are followed in regard to receipts and expenditure and he should, for this purpose obtain sufficient information in respect of all items of the account in each case, either in the form of vouchers or in some other form as may be considered necessary.</p> <p>(c) It is necessary to examine whether appropriate and adequate systems and procedures are in place for:</p> <ol style="list-style-type: none"> <li>1. proper accounting of receipts, expenditure and assets;</li> <li>2. monitoring of unrealized revenues and un-discharged liabilities;</li> <li>3. general control over expenditure;</li> <li>4. sanctions to expenditure, remission of revenues and transfer/ disposal of assets;</li> <li>5. safe custody of cash, stores and other assets; and</li> </ol>



## 6. purchases and conclusion of contracts.

It should then be examined whether:

- (i) the institutions have proper organizational arrangements for the discharge of accounting functions;
- (ii) responsibilities for the performance of all duties in relation to the accounting functions are clearly defined and specifically assigned to appropriately qualified staff; and
- (iii) the accounting system provides for;
  - efficient and economical management of the operations of the body and the resources entrusted to it;
  - proper monitoring of the activities by Government which has a substantial stake in it; and
  - a meaningful evaluation of its achievements and shortcomings by external agencies, including Audit.

(d) The audit of the accounts of non-commercial autonomous bodies entrusted to the Comptroller and Auditor General under the relevant Acts setting up these bodies should be conducted in accordance with the general principles and rules prescribed by him to regulate the audit of Government accounts, unless otherwise provided. The broad aim of Audit should be to ascertain how well these bodies are discharging their financial responsibilities and how far the funds placed at their disposal is utilized in fulfilment of the objects envisaged by Government. In this context it should be examined whether;

1. the objectives of the organization have been clearly defined and are in conformity with the Government's policies and decisions;
2. policies and programmes have been formulated in accordance with these objectives and are being implemented based on specific and well defined procedures;
3. systems exist for the collection of collation of reliable progress reports on the implementation of policies and programmes;
4. progress is reported periodically to the Governing Body of the organization of Government and such reports are adequate, timely and accurate; and
5. internal control mechanisms are adequate and effective.

(Auth: Paras 2.6.22 to 2.6.26 of M.S.O.(Audit) Second Edition-2002.)

The following aspects may be specifically kept in view during the preparation of draft Separate Audit Reports and the certification of annual accounts of the State Autonomous Bodies.

1. *Accounting Policies:* Organizations may be advised to append to annual accounts 'Significant Accounting Policies' and 'Notes to Accounts'. The former indicates items, if any, accounted for on cash basis, fixed assets and inventory valuation, etc. while the latter indicates non-applicability of Income Tax on the surplus of the organization, exemption from statutory enactments, treatment of contingent liabilities, etc. Such disclosures by the autonomous bodies will introduce transparency in accounts and any shortcoming in these aspects may be commented in the SAR.
2. *Transactions under Plan and Non-Plan:* Transactions need to be examined to ensure that there is no mixing up of 'Plan' and 'Non-Plan' in any inflow or outflow and if there be, suitable comments should be made in SAR. If 'plan' and 'non-plan' are not separately depicted in the accounts, a separate schedule for the bifurcation for revenue and capital and 'plan' and 'non-plan' items may be insisted upon. If the organization is not able to exhibit such important data distinctly under major activities/heads, it should be commented upon in the SAR.
3. *Minus balances:* Minus balances shown in the accounts require careful probe in audit. They sometimes foretell serious irregularities. Reasons for each minus balance should be examined and commented upon.
4. *Suspense heads:* The extent of amount in suspense heads and their relevance to the accuracy in accounts in as much as Suspense Accounts dilute the accuracy may be examined and

	<p>commented in SARs.</p> <p>5. <i>Fund Accounts:</i> If fund accounts for different purposes are found in the autonomous body, then the relevant transactions of each fund being accounted for in the respective fund should be checked in audit. Mixing up of funds should be commented upon in the SAR and audit of each fund account should be done specifically to assess the accuracy of each fund account.</p> <p>6. <i>Depreciation and Capital assets:</i> Even though in autonomous bodies there is no concept of “profit”, it is the duty of audit while certifying the accounts, which includes the balance sheet, to mention the status of the assets in the context of depreciation due to usage, obsolescence, etc. Depreciation is not necessarily a charge on profits. They can be provided for either actually out of surplus generated by the autonomous bodies, as in the case of revenue earning Port Trusts, or be deducted from the value of assets of non-revenue earning organizations so as to provide a true and fair view of the assets of the autonomous bodies. Continued exhibition of assets at book value despite obsolescence, reduced value with corresponding capital entry gives a totally wrong picture about the assets of the organization. It is, therefore, essential and desirable that in supersession of instructions issued in 1982, in all such cases where the accounts indicate value on original cost, suitable comments should be made in the SAR wherever applicable on the following lines;</p> <p>“The asset accounts depict book value of acquisition and do not exclude obsolescent, unusable, irreparable and condemned assets and also do not take into account depreciation with corresponding reduction of capital account. Therefore, the capital and asset accounts are overstated accordingly thereby not giving the correct picture”.</p> <p>If, however, the organization indicates in the “Notes to Accounts” that the depreciation for the assets has not been provided for and quantifies the amount no comment need be made by Audit on this point. It may, however, be ensured that the condition of the assets vis-à-vis the valuation is verified. A specific certificate from the organizations should be obtained that they are not holding any obsolete or unusable assets which should be cross checked with reference to corroborating records during the audit and comments included where necessary.</p> <p>7. <i>Accounting of transactions on accrual/cash basis and exhibition in Balance Sheet:</i> The system of accounting is required to be on accrual basis so that Income and Expenditure Account and Balance Sheet make a meaningful depiction of the true and fair view of financial position of the organization. If any deviation is made from this basic principle, unless it is properly spelt out in the ‘Accounting Policies’ or ‘Notes to Accounts’, SAR should always have clear comment of this aspect in respect of all such items. The Autonomous Bodies should be advised to adhere to accrual principle for all transactions with only rare justified exceptions clearly revealed.</p> <p>8. <i>Cross checking of accounts with schedules:</i> It has to be ensured in audit that all the schedules referred to in the accounts are correctly drawn up and figures shown therein tally with the accounts figures, as the schedules form part of the accounts certified by Audit.</p> <p>9. <i>Bank reconciliation:</i> As also required in Headquarters' Circular No.52Rep (AB)/20-86 dated 25.2.1993, it has to be ensured that comments about arrears in bank reconciliation highlighting possibilities of misappropriation and frauds and the risks involved due to non-reconciliation/delays in reconciliation and the procedural deficiencies and lapses are highlighted in the SARs. Wherever warranted, SAR should contain a clear comment that the bank/cash balances as revealed in the books of account could not be verified in Audit due to such non-reconciliation.</p> <p>10. <i>Revision of Accounts:</i> In all cases where accounts are revised at the instance of audit, suitable comments about the impact of such revision may be made in the SARs as required in this office circulated dated 16.1.1998 provided the substantial revision was effected due to our audit scrutiny.</p> <p>11. <i>Register of Assets:</i> These should be carefully checked in the context of earlier comments on this subject and certification on physical verification of assets insisted upon so that non-</p>
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	<p>availability of such certificates is commented upon in SAR.</p> <p>12. <i>Concise and brief comments:</i> As the SARs are required to contain only “Comments on Accounts”, it should be ensured that the comments to be included in the SARs are concise and brief with a clear statement about impact on accounts of each comment as a result of deficient procedure/accounting followed. The SAR should convey only final comment and should not read like as an Inspection Report or draft para. The SAR should always say the resultant under/over statement of head concerned and impact on surplus/deficit/assets/ liabilities in exact amounts.</p> <p>13. <i>Unspent Grants:</i> It is necessary that the organizations draw a distinction between annual maintenance/revenue grants and grants for specific/capital purposes. The unspent grants refundable/repayable to Government/other agencies, as may be required under the conditions stipulated in the grants are in fact distinctly shown as “returnable” in the liability side of the Balance Sheet of the autonomous bodies. Non-depiction of such unspent balances in the Balance Sheet should be commented in the SAR.</p> <p>14. <i>Realization of income due to the organization:</i> It is necessary that income realized by an organization is accounted for as income in the Receipt and Payment Account/Income and Expenditure Account and is not allowed to be kept in a separate fund/account.</p> <p>15. <i>Completeness in Accounts:</i> It should be ensured in audit that the accounts to be certified are complete in every respect and in cases where the accounts are voluminous, the organizations should be asked to suitably consolidate and index the annual accounts so that possibility of any accounts remaining out of the purview of audit is avoided. In order to ensure completeness and meaningful exhibition, all the three accounts, namely ‘Receipts &amp; Payment Account’ ‘Income and Expenditure Account’ and ‘Balance Sheet’ with supporting schedules, ‘Significant Accounting Policies’ and ‘Notes to Accounts’ should come as a set to the audit to enable the auditor to check and certify these accounts. Incidentally figures should be reduced to a maximum of 5 digits for easy comprehension.</p> <p>16. One of the main shortfalls in ensuring utilization of grants/loans for such purposes for which the grants/loans are given to Autonomous Bodies is non-production of such certificates to the Ministry/ Department/Government. While on one hand the accounts are purported to have accommodated such expenditure on revenue and capital heads and are certified by Audit, on the other hand Audit also list out that such certificates are yet to be received. This is like absence of physical verification certificate for assets exhibited in Accounts certified. Therefore, in future a distinct comment should be made in SARs that the assets/expenditure as exhibited in the current and previous year(s) accounts are not supported by utilization certificates for the specific amounts for which certificates are yet to be furnished to the Government.</p> <p>(Auth:HQrs.lr.No.111-Rep(AB)/49-99 dated 31-5-99)</p> <p>17. Serious shortcomings in the internal control system must also find a place in the SAR. A brief note on the evaluation of internal controls of the Autonomous Bodies shall be invariably sent along with the draft SAR. to Headquarters.</p> <p>(Authority : Para 4 of HQrs.lr.No.77-Rep(AB)/63-2004 dt:5.4.2004)</p>
<b>7.10</b>	<b>Internal Control System of Autonomous bodies</b>
	<p>Internal Control is a management tool used to provide reasonable assurance that management’s objectives viz. Reliability of financial reporting, Effectiveness and Efficiency of operations, Compliance with applicable laws and regulations, etc. are being achieved. While conducting the audit, the auditor should appraise the internal control in force before he plans out the detailed audit programme. C&amp;AG has desired that as a part of our audit of Autonomous Bodies we are required to make an assessment of the effectiveness of the internal control arrangements in the Autonomous Bodies. Though the responsibility for the adequacy and effectiveness of the internal control structure</p>

	<p>rests with management of respective Autonomous Bodies, the responsibility of reviewing the internal control system including internal audit lies on us as we are the sole auditors. Appraisal of internal controls enables the auditor to restrict his detailed examination in areas where internal control is satisfactory and extends it in areas where internal control is weak. With weak internal controls and limited audit coverage many things could go wrong.</p> <p>Evaluation of internal control can be made in a number of ways but the most effective and common method is through internal control questionnaire. In general the control areas can be:</p> <ul style="list-style-type: none"> <li>• Policies and procedures</li> <li>• Scope and independence of internal audit</li> <li>• Receipt and disbursement of cash</li> <li>• Mixing of funds (Plan/Non plan)</li> <li>• Purchase/custody of investments/securities</li> <li>• Accounting and receipt of interest on investments/securities</li> <li>• Fixed assets/vulnerable assets</li> <li>• Disbursements/payables</li> <li>• Payrolls/Loans and advances to the individuals</li> <li>• Bank balances/Bank reconciliation</li> <li>• Manpower analysis</li> </ul> <p>For the purpose of evaluation of internal control a standard form of questions may not be suitable to all Autonomous Bodies. Individual variations may have to be made to suit specific circumstances and activity of Autonomous Bodies.</p> <p style="text-align: center;">(Auth: No.77-Rep(AB)/63-2004 dated : 5-4-2004 of HQrs. Office)</p>
<b>7.11</b>	<b>Format of Separate Audit Report</b>
	<p>Comments to be included need not be comparative statements but should be concise and brief with a clear statement about impact on accounts of each comment as a result of deficient procedure/ accounting practice followed. Comments should be pointed and indicate in exact amounts the resultant under/overstatement of head concerned and the impact on income/expenditure/excess of income/ expenditure/income as well as on assets/liabilities.</p> <p>Audit comments on accounts can be included as sub-paras at one place under this para depending upon defects noticed and the sub-paras may be arranged suitably one after another in the order of Form of Annual Accounts being certified.</p> <p><b>Introduction</b></p> <p>1.</p> <p><b>Comments on Accounts</b></p> <p>2.       <i>Balance Sheet</i></p> <p>2.1       <i>Liabilities:</i> Deficiencies noticed against various head may be commented in short sub-paras.</p> <p>2.2       <i>Assets:</i> Deficiencies noticed against various heads may be commented in short sub-paras.</p> <p>3.       <i>Income and Expenditure Account</i></p> <p>3.1       <i>Expenditure:</i> Deficiencies noticed against various head may be commented in short sub- paras.</p> <p>3.2       <i>Income:</i> Deficiencies noticed against various heads may be commented in short sub-paras.</p> <p>3.3       <i>Excess of Income/Expenditure over Expenditure/Income</i></p> <p>4.       <i>Receipt and Payment</i></p> <p>4.1       <i>Receipts</i></p> <p>4.2       <i>Payments</i></p> <p>5.       <i>General</i></p>

	<p><b>Accounting Policies and Notes to Accounts</b> Brief comments about deficiencies noticed in accounting policies, notes on accounts, suitable disclosures not given on matters concerning accounts may be included.</p> <p><b>6.</b> <i>Effect of Audit Comments on Accounts</i> The net impact of the comments given in preceding paras is that assets as on _____ were understated/overstated by Rs._____ lakh, liabilities understated/overstated by Rs._____ lakh, and Excess Income/ Expenditure over Expenditure/Income for the year was understated/ overstated by Rs._____ lakh.</p> <p><b>7.</b> <i>Lack of response</i> (if replies to draft SAR are not received within the stipulated period).  (Auth: No.40-Rep(AB)/91-2003 dt: 25.2.2004 of HQrs. Office)</p>
7.12	<p>The Party and Supervising Officer should report at OA(HQ)I after completion of audit to discuss the draft Audit Report.. OA(HQ)I should see the following:</p> <p>(1). Whether the report has been drafted as per Style Guide issued by the CAG (Appendix-VIII of this Manual)</p> <p>(2) All points relating to accounts have been commented in the Draft SAR</p> <p>(3) All points relating to transactions have been commented in the draft Inspection Report and the draft Inspection Report has been discussed with the body and the fact recorded</p> <p>(4) whether audit certificate have been prepared as per guidelines issued by the <b>CAG.CAG in letter No.44/Rep(AB).91-2003 dated 25-4-2006 has revised the format of Audit Certificate in all cases of accounts to be certified from 1<sup>st</sup> July 2006</b> (a specimen given in Annexure I to this Chapter)</p> <p>(5). Whether a Brief Note on Internal Control submitted as required in C&amp;AG's Circular Dated 5-2-2004.</p> <p>(6) Whether key linking figures are submitted,</p> <p>(7) Working sheet showing net impact of audit comments,</p> <p>(8) Whether all the Audit Enquiries and replies are received, Title sheet enclosed, other statutory documents such as Minutes of Entry meeting ,Minutes of Exit meeting, Individual Work profiles, tour diaries, etc. are received.</p> <p>(9) Whether the annual accounts have been inscribed with the certificate that the arithmetical accuracy and previous years figures shown have been checked over the signature of the Inspecting Officer.</p> <p>(10) As per letter No. 39/Rep(AB) 91-2003 dated 3-4-2006 of CAG a 'Management Letter' has to be issued to the Chief Executive Officer of the Body. Party has to prepare this letter and submit along with the Draft SAR.(A specimen given in the Annexure II to this Chapter)</p> <p>(11) Statement of working days, leave, transit etc. for calculation of claim for audit fees</p> <p>The party and officer are be relieved after the above checks are completed.</p>
7.13	<b>Editing by section</b>
	<p>(a) In order to speed up the issue of Separate Audit Reports within the time frame, instructions have been issued on 31-5-2005 to monitor the processing at various stages . ( Circular No-9. Dated 31-5-2005- No.OA(HQ)/I/VIII/AB-GI/05-06/)</p> <p>(b) The comments made in the draft Audit Report should be checked by the auditor. All formalities such as page numbering , marking of AEs and replies, noting the names of persons who took the para etc should be followed . The draft Separate Audit Report should be submitted to the Branch</p>

Officer within 2 days of receipt of draft SAR from the Party. A Check list as contemplated in the above Circular should be attached with the edited DSAR. Branch Officer should submit the DSAR after his scrutiny in 2 days and DSAR should be sent after approval by DAG to Main Office for vetting by CA HQrs Section and submission to Principal Accountant General(Audit).

- (c) The following documents should be submitted to the PAG along with the Draft SAR.
- i) Note seeking approval of PAG for the DSAR containing the details of party audited and supervising officer.
  - ii) Draft letter to the Body forwarding the draft SAR requesting to furnish reply within 15 days of receipt of the Draft SAR
  - iii) Management letter as prescribed in CAG's letter No.77-Rep(AB)/67-2004 dated 5-4-2006.
  - iv) 4. Draft SAR and Draft Audit Certificate as edited and approved by the DAG (IC) (Audit Enquiries and Replies duly referenced)
  - v) Audit Enquiries and Replies
  - vi) Key linking figures
  - vii) Brief Note on Internal Control Mechanism
  - viii) Net Impact of Audit Comments.
  - ix) Acts and Rules of the Autonomous Body.
  - x) Previous year's Audit Report and Certificate.
- (d) When the draft Audit Report is received back after vetting by CA (HQrs) and approval by PAG, the same should be forwarded to the Authority/Body to verify the comments and to furnish reply within 15 days of the receipt of the draft report. **Draft Audit Certificate should not be issued to the body at this stage.**
- (e) As per instructions contained in the CAG's Circular No.3-Rep(AB)/360-2000 Dated 8-1-2001, Audit Report of the following bodies should be submitted to CAG for vetting before issue to the Body.
1. Kerala Khadi & Village Industries Board Thiruvananthapuram
  2. Kerala Command Area Development Authority, Thrissur.
  3. Kerala Building and Other Construction Workers Welfare Board, Thiruvananthapuram
  4. Kerala State Human Rights Commission, Thiruvananthapuram( if the Grant received from Government during the year exceeds Rs. 1 crore.)
- (f) Draft SARs of the following bodies are not required to be sent to CAG for vetting:
1. Kerala State Commission for Backward Classes, Thiruvananthapuram
  2. Kerala Institute of Labour and Employment.
  - (3) Kerala State Legal Services Authority, Kochi.
  - (4) to (17). District Legal Services Authorities.



- (g) Audit Reports of any new institution should be sent to CAG for the first 2 years and thereafter according to the Grant received / expenditure Incurred.
- (h) If the reply to the draft Audit Report is received within the stipulated period, an aide memoire should be prepared in the following format.

Sl. No	Comments as per Audit Report	Reply of the Body/Authority.	Remarks.(If the reply is acceptable, the para may be deleted. If not, para may remain. If any modification is to be made in the DSAR, that may be mentioned
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- (i) If the replies are received in time, the draft Audit Report, Aide-memoire, AEs and Replies, letter to the Body, should be submitted to the PAG for approval and submission to the CAG for vetting. When the draft SAR is forwarded to the CAG a proforma as prescribed in Circular dated 10-9-1999 has to be prepared and attached to draft audit report. One copy of the annual accounts should also be forwarded to the CAG.
- (j) The CAG has directed that since the work of certification of annual accounts and issue of SARs is required to be completed in a time-bound manner, it should be ensured that the documents to be sent along with the draft SAR are complete in every respect and following documents are invariably sent:
- i) Two copies of draft SAR along with aide-memoire and key linking the figures;
  - ii) Two copies of draft audit certificates proposed to be issued;
  - iii) (c) One copy of annual accounts to be certified by the office
  - iv) Proforma showing progress of audit, etc.
  - v) Brief Note on Internal Control
  - vi) Net Impact of Audit Comments
  - vii) Key Linking Figures
  - viii) Minutes of the Autonomous Body approving the annual accounts.
  - ix) Draft of the Management letter to the Chief Executive of the Body.
  - x) Checklist
- (k) If the replies are not received within the stipulated time of 15 days, the draft SAR may be treated as acceptable to the Body and the draft SAR sent to CAG for vetting through PAG as described above. If the draft SAR is not required to be sent to CAG, Eg. DLSAs, KELSA, KSCBC and KILE the draft SAR may be issued as final AR with audit certificate by PAG.
- (l) When the draft audit reports sent to the CAG's Office for vetting is received back, corrections/ suggestions pointed out by the CAG have to be carried out and final SAR with AC issued to the Board/Authority with certified annual accounts. The letter should contain direction to place the Audit Report and Certificate before the State Legislature after approval by the Governing Body of the Board/Authority without delay and to intimate this office the dates of approval by the Governing Body and of placing in the State Legislature. Simultaneously, a copy of final report and Audit Certificate should be sent to CAG's office with the Proforma, and Annotation.
- (m) When the previous audit reports are not placed on the Table of the Legislature, the CAG insists that the present Audit Report may be released only on getting an assurance from the



	<p>Government that the present report will be placed along with the previous report(s) on the Table of the Legislature.</p> <p>(n) When Government intimates the date of placing of the Audit Report on the Table of The Legislature, the date is noted in the Progress Register.</p>
<b>7.14</b>	<b>Inspection Reports</b>
	<p>Points detected in transaction audit should be issued as an Inspection Report. The Inspection Report and the paras are noted in the Inspection Report Settlement Register of OA(HQ)I for watching their clearance.</p>
<b>7.15</b>	<b>Audit Fees</b>
	<p>When the audit is completed and Audit Report/Audit Certificate issued, a demand for audit fees should be raised against the autonomous Body. The DAG (Central ) is issuing Circulars fixing the daily rates of audit fees of staff (Vide Annexure II to the Chapter-I) The Audit fee is calculated based on the details furnished by the Party adopting the rates circulated by the DAG(Central). The statement thus prepared is sent to PAG for approval through ITA .When the statements are received back after checking by ITA and approval by PAG, demand is raised in the form of a letter to the Autonomous Body requesting to remit the amount to the Pay and Accounts Officer(Audit) , Office of the Accountant General (A&amp;E), Thiruvananthapuram by Demand Draft. Copies of the letter are endorsed to the Sr. Audit Officer (Admn) O/O PAG(Audit) and The Pay and Accounts Officer (Audit), O/O AG(A&amp;E).</p> <p>The demand raised is noted in the Register of watching recovery of cost of audit(Form.V) . When the daily rates are revised retrospectively, supplementary demands are raised following the procedure mentioned in the above paragraph. When the Autonomous Body remits the amount to the PAO, and informs this office about the remittance, the PAO is addressed to confirm the remittance. When confirmation is received from the PAO, the item in the Register is cleared.</p>

**ANNEXURE-1****REVISED FORMAT OF AUDIT CERTIFICATE FROM 1-7-2006**

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA  
NEW DELHI-110002

No-44/Rep(AB)/91-2003  
Dated 25<sup>th</sup> April , 2006

To.

The Directors General of Audit/Pr. Directors of Audit  
The Pr. Accountants General (Audit)/Accountants General (Audit).

(As per list)

Sub: Revision of audit Certificate in case of certification of accounts of Central/State autonomous bodies.

Sir/Madam,

The matter of revision of audit certificate in case of certification of accounts of Central / State autonomous bodies where CAG is the sole auditor has been under consideration. In this connection, a copy of the revised audit certificate is enclosed herewith. It is requested that the revised audit certificate may be adopted in all cases of accounts to be certified / SARs issued to the Government/management from 1<sup>st</sup> July 2006 onwards

2. Suitable corrections to the Manual of Instructions will be issued separately.
3. Hindi version will follow.

Yours faithfully,  
Sd/-  
(A.K. Koushik)

Encl. as above.

Director(Exam/AB)

**Format of  
Audit Certificate**

I have audited the attached Balance sheet of .....(*Please indicate the name of AB*) as at 31 March .....(*year*) and the Income and Expenditure Account, Profit and Loss Account/Receipts and Payments Account (*strike out which is not applicable*) for the year ended on that date. These financial statements include the accounts of .....units/branches (*strike out if not applicable*). Preparation of these financial statements is the responsibility of the AB's management. My responsibility is to express an opinion on these financial statements based on my audit.

I have conducted my audit in accordance with applicable rules and the auditing standards generally accepted in India. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. I believe that my audit provides a reasonable basis for my opinion.

Bases on our audit, I report that:

1. I have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
2. Subject to the major observations given below and detailed observations in the Separate Audit Report annexed herewith, I report that the Balance Sheet and the Income and Expenditure account / Profit and Loss Account / Receipt and Payment Account / (Strike out which is not applicable) dealt with by this report are properly drawn up and are in agreement with the books of accounts.

(Significant comments)

- .....
- .....
- .....

3. In my opinion and to the best of my information and according to the explanations given to me:
  - (i) The accounts give the information required under the prescribed format of accounts;
  - (ii) the said Balance Sheet, Profit and Loss account/Income and Expenditure Account/Receipts and Payments Account(*strike out which is not applicable*) read together with the Accounting Policies and Notes thereon, and subject / due to the significant matters stated above and other matters mentioned in the Separate Audit Report annexed herewith, give/do not give (*Strike out which is not applicable*) a true and fair view.
- a. In so far as it relates to the Balance Sheet of the state of affairs of the AB (Name of AB) as at 31 March .....(year); and
- b. In so far as it relates to the Profit and Loss Account/Income and Expenditure Account(*Strike out which is not applicable*) of the profit/loss/surplus/deficit for the year ended on that date.

**Director General of Audit /Principal Director of Audit/  
Principal Accountant General /Accountant General (Audit)**

**Place:**

**Date:**

**ANNEXURE-2**

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA,  
NEW DELHI-110002

No.39/Rep(AB)/91-2003

Dated: 03.04.2006

To

The Directors General of Audit /Pr. Directors of Audit  
The Pr. Accountants General (Audit)/ Accountants General (Audit)

(As per List)

Sub: Quality and contents of Separate Audit Reports on the Central/State autonomous bodies- Issue of Management Letter.

Sir/Madam,

It has been observed that some of the offices have been preparing lengthy SARs, even in cases where the annual accounts /SARs are very old. The comments on accounts in SARs proposed by the field offices do not always bring out the impact of accounts i.e. the comments are not linkable with the annual accounts or the comments are too lengthy or of a general nature.

To overcome the above situation, it has been decided to introduce the practice of issuing a 'management letter' in addition to the SAR / audit certificate. In such cases, the auditor submits a detailed report termed 'management letter to the management regarding the procedures, systems, weaknesses in the internal control, etc. which would enable the management to exercise a greater degree of control over the operations of the autonomous body. The observations of following nature may be included in the 'management letter':

- Errors of a minor nature that are not considered material;
- Deficiencies in the accounting records, systems and controls with recommendations for their improvement;
- Non-compliance with the financial control/ internal control procedures as detailed in the concerned accounting/financial manual being followed in the AB;
- Classification errors within the accounting head; where management has assured rectification in next year's accounts./
- Recovery of advances, steps to be taken for recovery/adjustment of long outstanding balances on personal accounts;
- Reconciliation between the balances as per broadsheets and as reflected in the accounts
- Typing/printing errors which can be rectified at the time of printing the annual accounts/annual reports;
- Failure to obtain confirmation of balances, or to watch over receipt of utilization certificates from grantee/beneficiaries, etc;

3. The SAR should only contain comments which have the necessary attributes of materiality and significance. However, it has to include the following:

- Non compliance of accounting standards/instructions contained in the Common Format of Accounts.
- Corrections / rectifications/revisions carried out at the instance of audit.
- Cases where assurances for rectification are not fulfilled after a couple of years;
- Where corrective measures have been taken by the management in relation to matters brought to their attention by the auditors, it may still be necessary, for the auditors to report certain cases to the Governing Body, for example, cases relating to any fraud/embezzlement committed but compensated by officials.

4. The management letter must be addressed to the Chief Executive Officer of the autonomous body and

issued under the signature of PAG/AG/DG/PD concerned. In the SAR, mention may be made invariably about the issue of a separate management letter to the top management/Chief Executive Officer of the autonomous body. It may be ensured that the 'management letter' is issued only at the time of issue of final SAR to the autonomous body/ministry. The 'management letter' will not require headquarters approval but a copy should be sent to headquarters along with the draft SAR.

6. For inclusion of comments in the SAR, the principle of materiality should invariably be followed and comments of minor/insignificant nature should not feature therein. Every effort should be made to bring out comments on accounts with a clear impact i.e. understatement/overstatement under the respective head of accounts as appearing the Balance Sheet / Income & Expenditure Account / Receipt and Payments Account.

7. In this connection, instructions issued in this office circular letter No.111-Rep(AB)/41-99 dated 31.5.1999 and 40-Rep(AB)/91-2003 dated 25.2.2004 may also please be kept in view and followed.

[This issues with the approval of ADAI(RC)]

8 Hindi version will follow.

Yours faithfully,  
Sd/-  
(AK Kaushik)  
Director(Exam/AB)

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA,  
NEW DELHI-110 002.

NO.-108-Rep(AB)/91-2003  
Dated 4<sup>th</sup> July 2006

To

The Directors General of Audit / Pr. Directors of Audit,  
The Pr. Accountants General (Audit)/ Accountants General(Audit)

(As per list )

Sub: Quality and contents of SARs on Central and State autonomous bodies-issue of a Management letter - Specimen thereof.

Sir,

A reference is invited to this office circular letter No.39-Rep(AB)/91-2003 dated 3-4-2006 wherein instructions were issued for issue of a management letter to the Chief Executive Officer of the autonomous body. From the perusal of management letter received along with SARs, it is observed that the field offices are proposing management letter in different formats. In order to have uniformity, a specimen of the format of management letter to be issued is enclosed for information and guidance it is requested that this specimen may be adopted for issue of management letter. Slight modification, if necessary, keeping in view the activities of a particular AB can be made.

Encl: as above.

Yours faithfully,

(A.K.Kaushik)  
Director (Exam/AB)

	<p>To</p> <p>The .....</p> <p>.....</p> <p>Sir,</p> <p>I have audited the annual accounts of .....for the year..... and have issued the Audit Report thereon vide letter dated..... During the course of audit, the following deficiencies were noticed which were of a relatively minor nature and were, therefore not included in the Audit Report. There are being brought to your notice for corrective and remedial action.</p> <ol style="list-style-type: none"><li>1.</li><li>2.</li><li>3.</li></ol> <p style="text-align: right;">Accountant General</p>

<b>CHAPTER 8 RESULTS OF INSPECTION</b>	
<b>8.01</b>	<b>Form of the Inspection Report</b>
	<p>The results of local audit by the inspecting staff are communicated through Inspection Reports which should be written up in the following form :</p> <p><b>PART I</b></p> <ol style="list-style-type: none"> <li>1. Introductory</li> <li>2. Outstanding objections from the previous reports</li> <li>3. Schedule of persistent irregularities</li> </ol> <p><b>PART II</b></p> <p>Section A : Major irregularities that are likely to materialise into Draft Paragraph of the Audit Report and those relating to system failure</p> <p>Section B :- Irregularities which though not major are required to be brought to the notice of higher authorities and followed up by the Accountant General and instances of recoveries to be effected or regularised.</p> <p><b>PART III</b></p> <p>Test Audit Notes, containing minor irregularities to which a schedule of items settled on the spot should be attached(Form.X). The procedural irregularities in respect of which the head of the office has held out assurances about following the correct procedure in future should be noted in this schedule.</p> <p>( Letter No. 1647 Admn. III/268/60 dated 16-8-1960 and No.2583 Admn.III/ KW.266-60 dated 2-1-1961 from C&amp;AG ).</p>
<b>8.02</b>	<p>The money value of objections or the approximate value calculated from the data in hand should be taken into account while considering their importance for inclusion in an inspection report and items involving petty amount need not ordinarily be included in it. Money value of objections should be mentioned in the report, wherever possible in order to bring out the significance of the objections. Objections which cannot be settled locally and are not important enough to go into Part II should find a place in the Test Audit Notes ( Part III). Every effort should be made to settle points and objections of a routine nature may be reduced to minimum. All irregularities and other points settled on the spot should be embodied in the schedule in Form X. The schedule should be made out in duplicate and signed by the Supervising Officer/ Inspecting AAO/ Section Officer and the head of institution audited. One copy of the schedule should be delivered to the head of the office for taking action on the basis of the replies to the memos or as promised at the time of discussion. The other copy should be submitted with the draft Inspection Report and retained in the Inspection file. The action taken by the department on the items noted in the schedule should be verified at the time of subsequent inspection and a certificate of verification recorded by the supervising officer or AAO/SO as the case may be. Inspection Reports should also briefly describe the general state of accounts and the nature of the financial control in the institution audited, disclosing any defects in system or error in principle.</p>
<b>8.03</b>	<b>Preparation of Inspection Reports</b>
	<p>(i) As soon as any of the audit query statements issued ( in form SY 327 ) is received back with replies from the head of the office inspected, suitable draft paragraphs should be prepared for the inspection report on the important items contained in audit query statement, each paragraph dealing with one objection only or a group of similar objections. In this manner as all the audit query statements will be received back, the draft inspection report will be prepared in the course of the local inspection. It will be signed by the Supervising Officer, or by the senior of the</p>



	<p>inspecting AAO / SO where there is no supervision.</p> <p>(ii) The time allotted in the audit programme for each office includes the time required for drafting the inspection report / test audit notes. The work of local audit should therefore be so spread out as to allow for the above duty as well. The preliminary audit query statements should also be carefully drawn up so that the task of drafting the report might be easy. The checking and scrutiny of the records should not be postponed till the last hour. The supervising officer and AAO / SO should make it a point that the last day of the audit is utilised for drafting the report and discussion with the head of the office.</p> <p>(iii) Each Supervising Officer/ AAO / SO should write out the report himself and not leave it to his subordinates.</p> <p>During inspection of the field offices the audit objections should be drafted carefully and properly. The objections included in the inspection reports are often based on incomplete information and are also not clearly worded. As a rule trifling matters which can be set right on the spot or are of no consequence to the finance of Government need not be mentioned in the Inspection Reports. However, if a number of similar points are noticed, it may be desirable to mention the type of error or irregularity with one or more instances so that proper instructions may be issued for future guidance of the Government servants concerned. It is desirable that statements and figures in relation to any defects or irregularities discovered should be based on clear documentary evidence. It is not sufficient to quote the rule or the order violated, the actual or possible effect of such deviation on the financial interests of Government should also be explained clearly. There are codal instructions that all observations and objections must be conveyed in courteous and impersonal terms and must be clear and intelligible. It is of utmost importance that any statement of criticism or irregularity should be accurate, fair, moderately worded and dispassionate. Innuendo is forbidden; if a charge cannot be substantiated, there should not be even any hint of it.</p> <p>( CAG's Office No. 20/715/TAI/106-81 dated 20-6-1981 )</p> <p>(iv) In drafting the inspection report the Supervising Officer / AAO / SO should give due emphasis to the reply given to him by the Administrative Officer and bring out his point of view in the final draft with comments so that the view taken by the department may be examined at the very outset rather than at the final stage.</p> <p>(v) <b>Exit meeting / Discussion of Inspection Report with the Head of Office.</b></p> <p>The inspection party should invariably discuss the draft inspection report with the head of office or in his absence with the person in charge and the fact of the discussion should be recorded in the draft inspection report over the dated signature of the person with whom discussed. It should be recorded in the inspection report by the inspecting officer that "all observations pointing out lapses in the implementation of system and procedure and all weaknesses in responsibility centres have been discussed with the head of office and assurance obtained in writing in regard to corrective measures for arresting potential risks". If they are unable to give such an assurance, the minutes of the meeting should be drawn up and attached with the inspection report.</p> <p>(Auth: Circular No.PAG(Au)/Secy/IR-Review dated 15-3-2004)</p> <p>(vi) The Test Audit Notes should be issued to the Head of the Office inspected over the signature of the Audit Officer supervising the audit. In cases where the local audit is not supervised by an Audit Officer, the Test Audit Notes should be issued over the signature of the AAO/SO in charge of the party.</p> <p>The covering letter enclosing the TAN should include a disclaimer statement as given below :</p> <p>" The Test Audit Notes have been prepared on the basis of information furnished and made available by the Auditee. The Office of the Principal Accountant General ( Audit ), Kerala disclaims any responsibility for any misinformation and / or non-information on the part of auditee. "</p> <p>( HQrs. Letter NO. 14-LC/III/2005 dated 20-1-2006 and OA Circular No. 17 , OA(HQ)/GI./ dated 13-3-2006 ).</p>
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	<p>Particular care should be taken to see that only such points are included in the Test Audit Notes as can be set right by the Head of the Office inspected without reference to higher authorities.</p> <p>( CAG's No. 2374. Tech. Admn. I/ 367-65 dated 7-8-1965 ).</p> <p>(vii) The Supervising Officer / AAO / SO should see that the draft inspection reports are despatched so that they are received in Headquarters Section within five working days from the date of completion of audit. If any delay is anticipated, the matter should be specially brought to the notice of the Group Officer in a note, clearly indicating the reasons therefor and also the period of extension sought for.</p>
<b>8.04</b>	<b>Method of drawing up the Inspection Report.</b>
	<p>(a) The introductory portion of the Inspection Report should give information regarding the office inspected, date of commencement and completion of audit, the period of accounts test audited, etc. The name of the officer who held the post of the head of office during the period covered by the audit as well as the names of other officers who were specially in charge of the accounts of the office inspected should be stated in the next page. The action taken on points, if any, outstanding in previous inspection report should be mentioned suitably in Part I of the Report. The object of mentioning the present position of outstanding objections raised in previous inspection reports is to draw the pointed attention of the departmental authorities to the delay in disposal of the points raised in audit in a previous year and for taking adequate and effective action for the speedy settlement of the objections. This should be borne in mind while drafting the paragraph on the subject.</p> <p><b>(b) Months Selected not to be mentioned in the Inspection Report :</b></p> <p>In the Inspection Reports issued it should be sufficient to state that a test audit was conducted without specifying the month or other details. In the office file, however, a note should be kept as to the month's accounts which were subjected to detailed audit, so that the information may be available for fixing the responsibility , if it becomes necessary for any failure of audit etc. at a later date.</p> <p>( CAG's Lr. No. 12 Admn. II / 954 dated 6-2-1964 ).</p> <p>(c) Inspection notes should be made as short as possible consistent with clarity and the importance of the matter dealt with. Long notes generally indicate vagueness of ideas and inability to discriminate between the important and the unimportant. They create problems of avoidable work all around, as tedious reading very often leads to the essentials being lost sight of, and thus detract from the value of inspection. The following directions are to be followed in drafting the Inspection Reports :</p> <ul style="list-style-type: none"> <li>(i) All points which could be settled on the spot should be settled then and there, and only very important irregularities, which should be brought to the notice of higher authorities or which are deemed necessary to be recorded in the notes or which could not be replied off hand by the departmental officer should be carried over to the notes. All minor irregularities in the maintenance of accounts, directions of a routine nature etc, should be incorporated in memos and should be got rectified or noted by the Head of the Office or in his absence by his Deputy.</li> <li>(ii) When matters which could normally be settled on the spot are not being settled due to the neglect or non-cooperation of the departmental officer, a note regarding such points should be submitted to the Central Office by the OA Party for being taken up with higher authorities.</li> <li>(iii) Narrative form should be confined to the most important general features. The tabular or statement form and appendices should be resorted to wherever possible in other cases. The report should concentrate on bringing out the salient points under objection and avoid all irrelevant and redundant matters.</li> <li>(iv) Irregularities in chalans are often the subject of long comments in Test Audit Notes.</li> </ul>

The proper and effective procedure is to proceed to the Treasury in cases of doubt and to verify the correctness of the remittances. Otherwise, these items fizzle out in the course of time due to vague and unsatisfactory replies and are therefore of not much value. It has also to be remembered that it may be difficult for a departmental officer to obtain a certificate of remittance in cases of remittance by private parties.

- (v) Suggestion to open register, maintain accounts, submit returns etc. is another common feature with audit notes. Such suggestions should be made only when absolutely necessary and when made, should be with reference to similar transactions in other departments and the accounting procedure prescribed from time to time in codes and manuals.

( O.O. No. OA I / 2-3/86-87/6 dated -12-1956).

The following points may also be borne in mind in drafting the inspection reports and test audit notes.

1. Irregularities and defects in procedure noticed during the inspection should be detailed in case a defective procedure persists; a reference to paragraphs in previous inspection reports should be made.  
( Office Order No. PA.76 dated 4-10-1955 ).
2. In order to facilitate subsequent references and the checking of the results of inspection, the arrangement of the report should be systematic corresponding closely to the conduct of the inspection.
3. When anything is noted as not quite satisfactory, the reasons should be stated in the body of the report in details.
4. Remarks of a general nature should be supported by concrete instances.
5. All exaggeration of language should be avoided. In drafting the inspection reports, the language used must be moderate and impersonal as the effectiveness of an audit objection is more likely to be reduced, rather than enhanced by the use of strong language. As a matter of fact, the more serious the nature of an objection the greater is the need for using language which is both polite and unexceptionable. The use of such words as 'should', 'must' etc. is to be strictly avoided and the words 'please' and 'kindly' used as freely as possible. No improper or questionable motives should be attributed in the inspection reports, even by implication, to any officer. All comments should as far as possible, be concluded in the third person and in impersonal and objective phraseology.

( CAG's D.O. No. PS. 5XXX/56 dated 23-10-1956)

**NOTE. The guidelines issued in the Style Guide issued by CAG in Circular No.113-Audit (AP)/6-2003/348 Dated 27-8-2003( Appendix. VIII ) may be followed in drafting inspection reports.** (Please see Para 8.19 also)

6. An Inspecting Officer should avoid the temptation of padding his report with points which in his opinion should have come to notice in the Central Audit. He should make out a list of these points separately and sent it to the DAG (IC)
7. When an inspecting officer finds that his report is likely to be of abnormal length, he should include only the more important items in the report and add the rest as an appendix so that an unwieldy report may be avoided and attention may better be concentrated on the really important points finding mention in the report. There is no necessity to explain in the inspection report the intention or significance of the rules. It would be sufficient to mention the rule or rules and state how they have been infringed. It is not necessary to draw inferences from the infringement of the rules and make

comments thereon.

Note : Whenever statements or appendices are attached to inspection reports or Test Audit Notes, AAOs / SOs of OA Parties should take special care to see that at least five copies of the statements are prepared by carbon process and attached to the reports.

8. The use of adjectives and adverbs such as 'serious' ( irregularities ), 'highly irregular' ( special notice) etc. should be avoided in the drafting of inspection reports.
9. The report should be clear, lucid and to the point. In cases where the Departmental Officers have acted in pursuance of any instructions issued by the head of the Department or Government, the matter should not generally be subject of comment in the Inspection Report but should be dealt with separately for necessary action in the Central Office.
10. Inspecting Officers should take particular care to see that the reports are so drawn up as to afford no ground for complaints from the local authorities in regard to their tone or substance. The inspection should be conducted with tact and discretion so as to avoid possible or unnecessary irritation to the departmental authorities.
11. Wherever any irregularity or delay which was previously noticed is taken up again by the audit staff, the fact should be mentioned in the report with reasons for its inclusion.
12. Money value of objections should be specified wherever possible not only for those coming under Para 7.1.6 of MSO (Audit) Second Edition-2002, but also for cases of enquiries and remarks made on doubtful points which may have a potential money value e.g. The amount of contracts for which open tenders are not called for, cases where the lowest tender is not accepted without adequate reasons, value of the extra concessions granted to contractors not provided for in the agreement etc.
13. Objection which can be waived under Article 7.1.16 to 7.1.18 of MSO (Audit) Second Edition-2002 should not be embodied in the report or the audit note but should be put up to the Central Office for orders.

Objections which are simple directions and instructions for future should be included in an Appendix to the Inspection Report.

14. All statements and allegations made and all figures furnished in the report should be based on clear documentary evidence so that the audit office may be in a position to press for proper action. There should be supporting data or evidence for all the adverse comments made.
15. The names of officers responsible for the irregularities should be kept on record in rough notes in all cases of serious irregularities.
16. Copies of correspondence or other orders cited in the draft reports or notes should be furnished with the reports. In cases where the correspondence is too voluminous for copies to be furnished readily, a brief note on the subject may be prepared in consultation with the Head of Office, get attested in token of its factual correctness by the Departmental Officer and furnished. Wherever paras that should be developed into draft paras are included in the Inspection Reports, documents in support of the remarks contained should be enclosed.
17. All objections, defects in the system and all irregularities noticed in the course of inspection and all items of objections, etc. of previous reports not finally settled or remedied till the date of the completion of the current inspection should be classified and each class of defects should be dealt with in separate paragraphs.
18. Every paragraph should comprise of three distinct parts, first a statement of facts, next the money value of the objection or its approximate value as calculated from the available data, and then the rules and orders infringed, together with their brief substance and the nature of the irregularity and the action required for removing it

	<p>This arrangement may not necessarily be adhered to strictly. e.g. The rules infringed may indicated first and facts stated next, but all points must be distinctly stated. Special attention should be drawn to important matters like wilful and persistent neglect of duty, falsification of accounts, chaotic state of accounts etc. in a separate paragraph if necessary. But reasons for arriving at the conclusion in concrete instances with full particulars should invariably be given in detail in the report.</p> <p>19. Suggestive headlines should be given above the different paragraphs in indication of the substance so as to encourage the busy officer to read through the paragraph. Mere general headings such as 'cash book' or 'revenue on account of credit sales' or 'outstanding revenue' do not indicate anything, but 'omission to enter receipts and payments in the cash book' or 'outstandings due from Government Officers' give a definite idea and makes one inquisitive about the contents of the paragraph.</p> <p>In this connection please refer to Para 8.08 regarding performance of audit parties and categorisation of objections.</p> <p>20. When statistics are given in the inspection reports, Inspecting Staff should give the current year's figures in addition to the figures for the year of account which is audited. The difficulty of furnishing proper audit certificate in the absence of any information ( which should be detailed) should be noted in the inspection report.</p> <p>21. When the points relating to Stores and Contracts are investigated in audit, the full details should be mentioned in the inspection report so that they may eventually be incorporated in the Appropriation Accounts/ Report of the C&amp;AG.</p> <p>22. Use of abbreviations in writing technical terms should be scrupulously avoided when preparing inspection reports as well as the appendices as this practice would cause much inconvenience to all who deal with the reports, particularly the copying group who cannot correctly expand the abbreviations in the fair copy of the report. In the usage of words, C&amp;AG's guidelines issued in "Style Guide" (Appendix-VIII) may be followed.</p> <p>23. As the outstanding objections are not mentioned in details the pursuance of the outstanding objections has to be carried out on the basis of the original reports and their progress watched through the prescribed register. Any tendency to overlook the original paragraph and to pursue the outstanding items on the basis of extracts appearing in Part I (b) of a subsequent report has to be discouraged.</p> <p>Occasions may, however, arise when an outstanding paragraph in the previous report may have to be examined at the time of current inspection and the original incorporated as a separate paragraph in Part II of the current report as a result of spot inspection and discussion. In such cases, pointed attention of the departmental authorities concerned may be drawn indicating the inadequacy of the action taken in the past. It may be permissible in such cases to treat the outstanding objections appearing in the original report as settled. But such a procedure should be adopted only in exceptional cases where outstanding paragraphs in the report are very few, say, one or two only.</p> <p>( CAG's Lr. No. 2543-TA-I/264-71 dated 16-11-1971, File OA.I/GI/2-36/71-72 )</p>
<b>8.05</b>	<b>Drafting / vetting of Inspection Report</b>
	<p>The Supervising Officers shall scrutinise the audit memos and draft the Inspection Reports carefully and edit them. When the Supervising Officer is not present on the closing date of the audit the AAO / SO may draft the report exercising the same amount of care and forward the draft Inspection Report with rough notes to OA(HQrs) for approval by AO(HQrs).</p> <p>The Inspecting Officers will be responsible for the correctness of all facts and figures given in the reports. Uniformity in drafting the reports also has to be ensured. The instructions contained in Para 6.1.21 of the MSO (Audit) Second Edition-2002 and Paras 8.03 and 8.04 above should be carefully followed in drafting and vetting the Inspection Reports and they should be sent to the Central Office as</p>

	a finished product, ripe for issue without any touching up in the Central Office.
<b>8.06</b>	<b>Submission of Inspection Report to Headquarters :</b>
	<p>(a) In submitting the draft inspection report to the Headquarters the Inspecting AAO / SO should attach a title sheet in form Sy. Spl.K57 ( Form No. XI). The entries in respect of Parts A to C should be filled in by the Inspecting AAO/SOs.</p> <p>The following points should be borne in mind by OA Parties while preparing and forwarding Inspection Reports / Test Audit Notes to HQrs.</p> <ul style="list-style-type: none"> <li>(i) Reference to Audit Enquiry numbers/ Page numbers and replies thereto are to be noted against the relevant para of Inspection Report / Test Audit Notes. The name of person who initiated the para should also be indicated against the para.</li> <li>(ii) In part 'C', 'Document Checked' of the title sheet to the Inspection Reports, the extent and the quantum of checks actually exercised in respect of the documents by the parties should be specified.</li> <li>(iii) Certificate of nominal and number audit should be furnished in the title sheet.</li> <li>(iv) Index of irregularities and questionnaire on stores and stock. properly filled up, are to be enclosed with the draft inspection reports.</li> <li>(v) When part II of the Inspection Report is Nil, a Nil report is to be furnished;</li> <li>(vi) Statements in Forms 'A' and 'B' are to be furnished on separate sheets.</li> <li>(vii) Items of original work done by supervising officer should be indicated against "remarks of Supervising Officer" in the title sheet.</li> <li>(viii) Details of the number of service books maintained and checked and the percentage checked and a separate list of service books of persons due to retire within 5 years, checked by the party should be attached to each Inspection Reports.</li> <li>(ix) List of remittances checked with the Treasury records is to be attached to the draft Inspection Report and a Nil list should be furnished if remittances are nil.</li> <li>(x) Statement of the details of payments collected from the Treasury and verified with initial records (3.14(b))</li> <li>(xi) The months selected for detailed audit and check of arithmetical accuracy exercised are to be indicated in the title sheet.</li> <li>(xii) In the case of Courts, Land Reforms offices , etc., the fact whether reconciliation of remittances, deposits, etc. was looked into and its position should be mentioned in Part B I of Title Sheet.</li> <li>(xiii) The certificate of review of 10% of work done by auditor should be recorded in Part-C of Title Sheet.</li> <li>(xiv) Where extensions of time is recommended or sought for in local audit the specific nature of increase in work justifying the extension such as increase in contingent expenditure, starting of new schemes etc. should be mentioned in the recommendations/ request made if it is to be considered.</li> </ul> <p>( Circulars OA(HQ)I/GI/4-1/84-85/49 dated 24-4-1984 and OA(HQ)I/GI.4-1/84-85/339 dated 21-8-1984 ).</p> <p>(b) The Inspecting AAOs/ SOs and the Supervising Officers should take particular care before the inspection report is submitted to headquarters, to see that the accounts audited and their supporting statements and documents such as Store accounts, Proforma account, Income and Expenditure account, are complete in all respects and they should invariably initial and sign these documents wherever required and send them duly completed along with the inspection report for necessary action.</p> <p>(c) The report should also be accompanied by</p> <ul style="list-style-type: none"> <li>(i) A certificate under the dated initials of the AAO/SO that the receipt books used</li> </ul>



	<p>have been checked since the date of last inspection in regard to the continuity in all serial numbers of receipts entries in the cash book and their completeness in all respects; and</p> <p>(ii) That the unused receipt books are under proper custody and have been verified and found correct and</p> <p>(iii) A certificate as precisely as possible about the general state of accounts examined by him.</p>
<b>8.07</b>	<b>Examination of the Inspection Report</b>
	<p>The draft inspection reports should on receipt at the HQrs Sections be entered in the Register for watching Receipt and Issue of Inspection reports (Form-III)centrally maintained.</p> <ol style="list-style-type: none"> <li>1. Each para in the report should be examined carefully to see that the objection raised therein is correct with reference to relevant rules and orders. If the objection raised in the para is correct, but the relevant rules or orders have not been quoted, the Section may modify the para quoting the authority in support of the objection.</li> <li>2. If the objection raised in the para is not correct with reference to the relevant rules and orders, the Section should bring it to the notice of A.O. / DAG by making suitable remarks in the margin.</li> <li>3. If a para is proposed to be deleted from the Inspection Report by the section, reasons thereof should be indicated in the margin.</li> <li>4. Objections raised in regard to fixation of pay should be scrutinised with reference to the relevant rules in K.S.R. and the pay revision orders and any other service regulations wherever necessary</li> <li>5. Paras in current Inspection Reports should be scrutinised with reference to the previous Inspection Reports of the same institution to see whether similar objections have been raised previously and if so whether the paras in the previous report can be dropped in the light of the comment made in the current report.</li> <li>6. Objections of similar nature may be grouped together to form a single para.</li> <li>7. An objection raised in the para should be brief, but at the same time clear and convincing. If necessary, the para may be redrafted or modified by the Section deleting irrelevant and unnecessary materials so that it becomes brief, clear and complete and factually correct. Repetition of information already known to the department or information deemed unnecessary to substantiate the audit objection may be deleted.</li> <li>8. If the audit party had made any remarks about the number of days allotted for the audit of a particular institution, or sent any materials for examination at headquarters, the same may be brought to the notice of OA(HQ) I with remarks of the Section.</li> <li>9. Delay in sending draft Inspection Reports to the headquarters and omission to send necessary enclosures and certificates by the party should be promptly brought to their notice. The section should list out such omissions in the edition memo. If such omissions/lapses are habitual in spite of being pointed out that should be brought to the notice of DAG (IC)separately.</li> <li>10. Above all the timely receipt, vetting and despatch of Inspection Reports should be watched promptly. "The Register for watching receipt and issue of Inspection Reportsr' maintained in OA(HQrs) section in form Sy.336 -- ( Form III of the Manual ) should be filled up promptly from the tour programme / Draft Inspection Report on completion of each stage of action on the processing and issue of Inspection Report.</li> </ol> <p>( Note No. OA(HQ)I/GI/4-1/88-89 dated 18-10-1988 )</p> <p>Before submission of the report to the AO / DAG for approval, the Section should ensure the following :</p> <ol style="list-style-type: none"> <li>1. The report has been received in complete form and the following enclosures have been received and necessary certificates attached. <ol style="list-style-type: none"> <li>(i) Title Sheet with individual work profile</li> </ol> </li> </ol>



- (ii) Index of irregularities
- (iii) Questionnaire
- (iv) Minutes of Entry Meeting and Exit Meeting.
- (v) List of remittances into Treasury for the selected month verified at the Treasury.
- (vi) Statement of details of payments collected from Treasury and verified with initial records.
- (vii) List of service books checked
- (viii) Certificate of nominal and number audit.
- (ix) Note to OA(HQrs) regarding details of institution.
- (x) Audit Enquiry Docket - ( List of Audit Enquiries and replies )
- (xi) Audit Enquiries and replies to audit enquiries.
- (xii) List of deposit repayment vouchers audited in respect of courts.
- (xiii) A and B statements

2. The report has been page numbered. The name of the official who initiated the para and the reference to Audit Enquiry number and page number has been indicated in the margin against each para in the Inspection Report.
3. The Audit Enquiries and replies should be examined to ensure that all genuine objections not settled on the spot on the basis of reply are included either in the inspection report or test audit notes.

The report should be subjected to preliminary check by the units concerned in regard to the formalities to be observed such as proper filling of title sheets, furnishing the required certificates, enclosures etc. After exercising the checks prescribed above the reports written or vetted and approved by Supervising Sr. Audit Officer / Audit Officer should be submitted to the Group Officer / Accountant General direct after verifying the facts stated in the draft inspection report. No edition or vetting is to be done by the section, but suggestion for modification / addition / deletion etc. may be indicated with reasons thereof in the margin for approval of DAG. The draft inspection report in respect of audit not supervised by an Audit Officer will be submitted to the Sr. Audit Officer / Audit Office OA(HQ) after exercising the preliminary checks detailed in the previous para and after verification of facts. No edition or vetting is to be done by the section, but suggestion for modification / addition / deletion etc. may be indicated with reasons therefor in the margin for approval of DAG .

( Sectional Order No. 9 /66-67 dated 6-9-1966 of OA(HQrs) Section ).

While scrutinising draft inspection reports the DAG (IC) will delete matters which are put into reports merely to increase their bulk. He will mark for the Register of financial irregularities any paragraph which are in his opinion worthy of further pursuit or important enough to go into Report of the C& AG but have not been already so marked by the Supervising Officer or the inspection AAO / SO. He will then finally approve all such inspection reports. Paragraphs, if marked for inclusion in the Register of Financial Irregularities, should be noted in that register. Inspection reports on special audits or where frauds etc. are disclosed and inspection reports, which in the DAG's opinion, contain irregularities and points of importance which should be brought to the notice of the Accountant General (Audit), should usually be submitted to him.

All cases which are likely to develop into draft paras should be examined carefully and intelligently by the Headquarters Section in consultation with the Audit Section concerned wherever necessary and orders of Dy. Accountant General (IC) obtained. The paras edited and finalised after such examination should be sent to the Heads of Departments etc. separately as a note with suitable covering letter in the Inspection Report file itself. The report should simultaneously be made available to Government also. The inspection reports will be considered as finally issued only after this action is completed.

( T.M. IV/11-61/39 dated 3-10-1962 ).

<b>8.08</b>	
	<b>( i ) Performance of Audit Parties</b>
	<p>The performance of field parties and the quality of inspection report are monitored through a performance register maintained in Form-XVI at the OA(HQ) Section. Headquarters office have set certain parameters that contain ten broad based categories (from A to J) under which all the objections appearing in the Inspection Reports are to be grouped. The list of headings is given in the Annexure to this chapter.</p> <p>(Auth: No.207-Aud(AP)/16-2004 dated 22-11-2004)</p>
	<b>(ii) Grading of Inspection Reports</b>
	<p>The grading of inspection reports shall be done on the basis of the points obtained for the paras contained therein and also on the overall assessment of the (i) completeness of documentation (ii) quality of evidence (iii) quality of presentation; and (iv) materiality of audit findings.</p> <p>(Authority : Circular No.PAG(Au)/Secy/IR-Review dt:15.3.2004)</p>
<b>8.09</b>	<b>Forwarding of Inspection Reports :</b>
	<p><b>(i)</b> It has been decided by the C&amp;AG of India in consultation with the Ministry of Law that the inspection report as finally issued to the Administration or head of office inspected after scrutiny and editing in the headquarters office of an Accountant General should be formally approved by the Group Officer or Sr. Audit Officer / Audit Officer as the case may be. The forwarding letter or endorsement should be worded as "I forward herewith the report on ..... If more than one copy is sent the forwarding letter should make it clear that the inspection report on the accounts of ..... with .....spare copies is being sent. The forwarding letter should contain a disclaimer statement as given below :</p> <p>" The Report has been prepared on the basis of information furnished and made available by the auditee(s). The Office of the Principal Accountant General (Audit) , Kerala, disclaims any responsibility for any misinformation and / or non-information on the part of auditee."</p> <p>( Headquarters letter No. 14-LC/III-2005/ dated 20-1-2006 and Note No. Au/Admn/I/RTI Act/393 dated 14-2-2006 ).</p>
	<p><b>(ii)</b> In addition to the copy or copies of the Inspection Reports sent to the head of the Government Office or institution inspected a copy of the Inspection Report should also be sent simultaneously to the next higher authority and his attention invited specially to any important item or serious irregularities or other points requiring his special attention. If the next higher authority happens to be an official other than the Administrative Ministry / Department of Government it is for this official to consider the necessity of forwarding a copy of the inspection report to the Ministry or department in whole or in part. It is not necessary for audit to send copy of the Inspection report to the administrative Ministry / Department separately unless such a request is made by the Ministry or Department.</p> <p>( Lr. No. 2205-Admn.II/608/Admn. I/58 dated 11-9-1959 of CAG of India, Case OA I/2-48/59-60 ).</p> <p><b>(iii) Inspection Report of Raj Bhavan</b></p> <p>The Inspection Report may be sent to the Secretary to Governor of Kerala and consider separate independent reference to the Ministry of Home Affairs, if need be, after discussing the aspect with the Secretary to Governor.</p> <p>( Order of A.G.(Audit) in File No. OA(HQ)I/GI/12-83/84-85 dated 17-7-1985 ).</p>

	<p><b>(iv) Inspection Reports relating to the establishment of High Court Judges.</b></p> <p>(a) The draft Inspection Reports in respect of the establishment of High Court Judges, after exercising the prescribed checks and verification of facts may be sent to the Comptroller and Auditor General of India for vetting and clearance for issue. In no case Inspection Reports should be issued without prior approval/clearance of Comptroller and auditor General of India.</p> <p>(CAG's letter No.745/Rep(s)/Audit Plan/3898 dated 29-6-1998)</p> <p>(b) CAG has since clarified that only the Inspection Reports/Paras involving personal entitlement of the High Court Judges should be sent to Headquarters office for clearance. The procedure of bringing such points to the notice of Judges concerned by way of a confidential D.O.letter is to be continued (vide. /D.O. letter No. 610-Rep(s)/98-97/June,23 1999). The audit objection other than personal entitlements of High Court Judges should be processed in the usual prescribed manner and need not be sent to Headquarters Office.</p> <p>(CAG' No. 807/Rep(s)/324-2003/dated 6-7-2005)</p>								
<b>8.10</b>	<b>Issue of Inspection Report</b>								
	<p>Inspection Reports are to be issued within one month from the date of completion of the inspection.</p> <p>The period of one month has to be computed as under :</p> <table border="1" data-bbox="328 927 1433 1178"> <tr> <td data-bbox="328 927 879 1048">5 working days</td> <td data-bbox="879 927 1433 1048">For receipt of the draft report from audit party ( The draft report is expected to be discussed with the officer-in-charge before the closing day of inspection ).</td> </tr> <tr> <td data-bbox="328 1048 879 1081">5 working days</td> <td data-bbox="879 1048 1433 1081">For the Section to submit the report</td> </tr> <tr> <td data-bbox="328 1081 879 1115">4 working days</td> <td data-bbox="879 1081 1433 1115">For the Gazetted Officer to pass the report and</td> </tr> <tr> <td data-bbox="328 1115 879 1178">10 working days</td> <td data-bbox="879 1115 1433 1178">For typing and issue of report.</td> </tr> </table> <p>Total 24 days.</p> <p>( Authority : Headquarters letter No. 125-Audit(AP) 109-95 dated 2-8-2004 enclosing Circular No. 19-TA I (83) / 83-84 dated 16-7-1983 )</p> <p><i>Note :</i> All OA Parties should forward the draft inspection reports on the last day of audit itself or on the next day so that they are received in Headquarters Section within five days. Audit Officers where they supervise, should check up that the parties have sent the draft inspection reports immediately after audit.</p> <p>( Cir. No. OA(HQ)I/GI/4-1/86-87/18 dated 16-1-1987 )</p>	5 working days	For receipt of the draft report from audit party ( The draft report is expected to be discussed with the officer-in-charge before the closing day of inspection ).	5 working days	For the Section to submit the report	4 working days	For the Gazetted Officer to pass the report and	10 working days	For typing and issue of report.
5 working days	For receipt of the draft report from audit party ( The draft report is expected to be discussed with the officer-in-charge before the closing day of inspection ).								
5 working days	For the Section to submit the report								
4 working days	For the Gazetted Officer to pass the report and								
10 working days	For typing and issue of report.								
<b>8.11</b>	<p>In respect of audits undertaken on behalf of other Accountants General the preliminary audit enquiries, replies thereto and the draft report on the local audit should be forwarded in original to the Accountant General concerned after retaining copies thereof. For this purpose, the local audit parties should furnish the draft report and connected papers in duplicate.</p> <p>( CAG's Cir. No. 71-74 I/80 issued in 1463 -- 74/1/149 dated 4-12-1980 ).</p>								
<b>8.12</b>	<b>Watching of objection arising out of local inspection</b>								
	<p>The instructions mentioned below should be followed in recording objections which arise out of local inspection of departmental offices conducted by the Outside Audit Department :</p> <p>(i) A separate objection book should be maintained as required in para 7.2.2 of the M.S.O.(Audit)Second Edition-2002 in OA(HQ)rs for recording objections raised in local audit and inspections for which money values should also be assigned as far as practicable. Before the Inspection Report is put up for approval, all items of objections should be entered in the</p>								

	<p>Objections Book and a certificate to that effect recorded .</p> <p>(ii) All objections arising out of local audit which are susceptible of being expressed in money value should be registered in objection books.</p> <p>The following types of objections need not, however be registered in the Objection Books.</p> <p>(a) Trading and proforma losses of Government concerns / schemes as these are only proforma in nature and are meant to apprise the departmental authorities of the manner in which the concerns/ schemes are functioning.</p> <p>(b) Outstanding dues of Government on account of credit sales and other outstanding dues to Government in respect of which accounts are kept by the Department for the purpose of watching recovery.</p> <p><i>Note :</i> Items in respect of which there is delay in recovery beyond one year should however be segregated and commented upon in the Inspection Report for being recorded in the objection book kept in OA(HQ) for further pursuance. Recoverable amounts omitted to be included in departmental records for watching recovery and under-assessments of amounts should be commented upon in the Inspection Reports. This procedure should also followed mutatis mutandis in the case of outstanding dues pending recovery in respect of advances not debited to a Debt, Deposit or Advance Head of Account.</p> <p>(c) Outstanding loans and advances made by department agencies if the loans and advances are debited to debt deposit or advances head of account as the recovery of this is watched through other records.</p> <p>(d) Cases of differences, discrepancies etc. in stock other than specific cases of shortages in departmental balances of stocks for which responsibility has not been fixed and action for recovery has not been taken.</p> <p>(iii) In all cases where objections are recorded in the Objection Books the section will take all action necessary for the early settlement of the objection.</p> <p>( CAG's Letters No. 2665.Admn/I/365-60 dated 29-8-1960, OA I / 2-36/D1/57-58, 1047/Tech. Admn. 1/687-64 dated 7-4-1965, 2063-TA I/2640 dated 20-12-1979 and AG's Orders conveyed in Co-ordination 1/12-1A/118/531 dated 1-10-1980 and Cir No. OA I/GI/ 4-1/80-81 dated 2/1981 )</p>
<b>8.13</b>	<b>Time allowed for furnishing replies to Inspection Reports and Test Audit Notes :</b>
	<p>(i) Within 4 weeks of the receipt of an inspection report, the head of the office concerned is expected to furnish his replies through his Controlling Officer/ Head of Department. In any case, the period of receipt of the first reply should be within one month the date of issue of Inspection Report. ( CAG's No. 1895-Admn.III/268-60 dated 20-9-1960 and Art. 63 C of Kerala Financial Code, Volume I, 6<sup>th</sup> Edition)</p> <p>(ii) All cases where first reply to the Inspection Report has not been received within one month from the date of issue should be pursued with the departmental officers through D.O. letters for a further period of two months. If the departmental officers fail to furnish reply within this period of 3 months their names should be reported to Government in the Administrative Department for taking action in terms of Art. 63(a) of Kerala Financial Code, Volume I, 6<sup>th</sup> Edition.</p> <p>Name of officers who repeatedly delay the first reply should also be reported separately to Government in the Administrative Department concerned for taking suitable action against them.</p> <p>The due date for issue of demi-official letters for reporting to administrative department is fixed as 9<sup>th</sup> of every month. The number and date of letter issued to the departmental officer/ administrative department should be noted in the Progress Register of Settlement of Inspection Reports.</p> <p>( File No. OA.I/2-63/66-67 Vol. VIII ).</p>

- (iii) **Disposal of IR paras and closing of IRs.** On receipt of the replies to the Inspection Report from the head of the office and the comments of the controlling officer / head of the department thereon, the headquarters office will dispose of points not requiring the attention of the Government and return one copy to the Head of the Department with further remarks.

The subsequent procedure for the final disposal of the Inspection Report with regard to the outstanding paragraphs which could not be settled from the replies to the inspection report is to be settled through correspondence. If the replies to the paras received are acceptable to audit, the objection is dropped on the orders of the Audit Officer in charge of the OA(HQ) Section concerned and the fact reported to the institution concerned. When all paras in the Inspection Report are dropped, the Inspection Report is treated as closed on the orders of the Group Officer and the fact intimated to the office. Simultaneously, necessary entries are made in the Register to Watch Progress in Settlement of Inspection Reports(Form-IV)

(iv) **Audit Committee**

At the instance of Audit,

1. Government of Kerala have issued instructions to form Audit Committees for speedy settlement of objections and inspections reports.
  - (a) An Audit Committee will be formed for each department at secretariat level consisting of the Secretary to Government, heads of department, one senior officer of the Accountant General's Office and one officer of the Finance Department. The Committee will meet every month to review the progress of clearance of audit objection and Inspection Report paras.
  - (b) Another Audit Committee at departmental level consisting of Head of the Department, Dy. Accountant General and Finance Officer of the Department will be constituted to review every month the pendency and clearance of audit objections and inspection reports paras. Government have further directed to conduct quarterly audit committee meeting to review the progress achieved in the case of major departments where there is substantial pendency of audit reports etc. Regional / zonal meetings of Audit Committee have to be convened regularly.

( CAG's Circular No. 3 - Audit II/83 dated 17-1-1986, Government Circular No.54/86/Fin/ 15-7-1986, and Government Circular NO. 6/2004/6 dated 20-1-2004 ).
2. The OA(HQ)I Section should initiate action to address the Head of Departments concerned to form Audit Committees and hold frequent meetings for clearance of outstanding objections and inspection report paras. In the Secretariat Level meetings, Dy. Accountant General will represent the Accountant General, whereas in the department level meetings the Audit Officer dealing with the Department will participate.
3. Based on the deliberations in the Audit Committee meeting, objection for which replies have been received from the department can be considered for clearance. The following instructions may be followed by the Sr.Audit Officer / Audit Officers attending the Audit Committee Meetings at departmental level :
  - (a) Only Inspection Reports for which first replies have been furnished should be taken up for discussion;
  - (b) Important policy questions / accounting procedures a commitment about which in the Audit Committee meetings may affect the future policy of the department in respect of objection should not be dropped at the Audit Committee meetings. The departments may be informed that these will be examined and a suitable reply would be furnished for them.
  - (c) A schedule of Inspection Reports/ paras to be discussed in the meeting should be

forwarded to the department official and these should be discussed before the meeting.

(d) Minutes of the meeting should be prepared and submitted to the Group Officer after the meeting.

( Orders of Sr.DAG in Note. No. OA(HQ)I/GI/2-21/92-93/Vol.V/ dated 5-2-1993 ).

In order to watch the progress of clearance of inspection reports and paras through Audit Committee meetings and to monitor the working of the system, the Sr. Audit Officer of OA(HQ) Section concerned should give a report in the following format, to OA(HQ)I Section as soon as the Audit Committee is over. A copy of the minute of the Audit Committee meetings when received from the department should also be forwarded to OA(HQ)I.

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Audit Committee Meetings of ..... Department  
Report to OA(HQ)I

OA(HQ).....  
Dated :.....

Name of Department	Whether the meeting is Secretariat Level or Department -al level	Name of officer attended representing AG(Audit)	Venue of meeting	Date and Time	No. of IRs and paras proposed for clearance	No. of IRs and paras actually cleared.
1	2	3	4	5	6	7

Sr. Audit Officer / Audit Officer,  
OA(HQ) .....

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OA(HQ) I section shall maintain a Register for noting the details of Audit Committees held and clearance of IR paras. The secretariat level and departmental level meetings should be shown separately in the register.

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**8.14 Report of important financial irregularities :**

(i) Cases of important irregularity or any other matter of importance of the type enumerated in Annexure- II of M.S.O.(Audit)Second Edition-2002 which are noticed during a local inspection, should be reported to the State or Central Government as the case may be for their comments before they are included in the Report of the C.A.G. of the respective Governments.

(Annexure II -referred to in para 7.3.26 of MSO(Audit ) Second Edition-2002 )

(ii) The requirements of the Report of the C&AG should always be kept in view when the Dy. Accountant General (IC) or the Audit Officer approves the inspection reports. Orders should be



	<p>passed at this stage whether the paragraphs noted by Inspecting Section Officers/ AAO or the Supervising Officer on the title sheet of the Inspection Report for inclusion in the Register of Financial Irregularities are suitable for the purpose. Points which are fit for inclusion in the Report of the CAG should be dealt with by special letters, straight from the beginning at an appropriate level. An inspection report should not be issued unless and until the paragraphs containing important irregularities(Form-XIII) have been noted in the register and action taken as above so that the points may further be pursued with Government for eventual inclusion in the Report of the CAG. In order that all the information required for the Report may be available in the Register, the name and designation of the officer responsible for the irregularity should invariably be entered in Column 7 of the register and a brief note of the disciplinary action taken made in column 9 under the heading "Orders of Government".</p> <p>(iii) The facts connected with the irregularities should be got verified by the departmental officer, so that they may not be challenged when a draft para based on them is proposed. For this, a Statement of Fact ( SOF ) should be issued to the Secretary to Government in Administration Department by a D.O. letter calling for reply within six weeks. If reply is received within this period, the draft para may be modified incorporating the replies. It is of great importance that materials included in the Report are accurate. After getting the facts thus verified, a para may be drawn up and after approval by the Dy. Accountant General ( IC ), submitted to the Accountant General (Audit) through the Report Section. The final paragraph as approved by Accountant General (Audit ) will be communicated by Report Section to the Administrative and Finance Department for acceptance of facts contained in the draft paragraph. Further action on the draft paras should be promptly pursued by D.P. (Civil) section, who must be able to state the latest facts about the case at any time.</p>
<b>8.15</b>	<b>Cases fit for inclusion in the Reports</b>
	<p>(i) An illustrative list showing the subjects fit for inclusion in the Report is given in Annexure II referred to in Para 7-3-26 of M.S.O.(Audit) Second Edition-2002. Individual cases of irregularity should be mentioned in the Report only when they are really important, as involving serious transgression of rules or orders leading or likely to lead to loss of public money or serious breach of audit procedure or safeguards. Petty cases involving losses not exceeding the amounts as may be fixed from time to time should not ordinarily be reported unless they reveal any serious defect in rule or system or affect the bonafides of the office connected with the transaction. If there are a number of cases of financial irregularities of the same nature occur in the same department not exceeding the above money limit which may produce on appreciable cumulative effect, they should be mentioned in a single paragraph of the report.</p> <p>(ii) When any case of financial irregularity relating to Central subjects is noticed the orders of the Group Officer concerned should be taken whether the case is of sufficient importance for inclusion in the Report ( Central) and he should be kept informed about the progress of the case from its inception till a draft paragraph on it is prepared for the Report. A copy of the draft paragraph should be supplied to the authorities for consideration and comment. After the comments from the Administrative authorities or the Finance Department have been received, the final draft of the paragraph for the Report should be prepared and copies supplied to the same authorities.</p>
<b>8.16</b>	<b>Inadequacy of financial or accounting rules</b>
	<p>(i) Cases of inadequacy of rules or absence of administrative regulations sufficient to secure a proper and effective check upon monetary transactions are subject matters for comment in the Report. If the inclusion of such cases is approved by the Accountant General, they should be entered in the Register of Financial Irregularities and dealt with in the manner described in the preceding paragraphs.</p> <p>(ii) When there is much delay on the part of the local Government in issuing any financial or accounts rules suggested in audit, the fact should be suitably mentioned in the Report unless the Accountant General considers that the rules to be framed are not so important as to cause any serious loss of efficiency, etc. or is satisfied that there will be no further delay. The causes of delay should be clearly stated, specially in those cases in which it would be unfair to comment</p>



	without indicating the causes.
<b>8.17</b>	<b>Comments on Store accounts</b>
	<p>Where store accounts are exhibited in the Appropriation Accounts of Government, comments regarding their correctness or other aspects when the store accounts are audited, may be made in the Appropriation Accounts with reference to the points mentioned in paragraph 8.19 of this Manual to assist the Public Accounts Committee in the investigation into the stores transactions.</p> <p>( CAG's Lr. No. 268-Rep/80-83 dated 23-9-1993 and para 52 of the AAD Manual ).</p>
<b>8.18</b>	<b>Questionnaire on the maintenance of cash and stores :</b>
	<p>In order to enable the local audit party to watch the adequacy of proper maintenance of cash and stores in civil offices, a questionnaire has been evolved for their guidance ( see Appendix VI). The questionnaire duly filled in may be submitted to the Headquarters along with the inspection report.</p>
<b>8.19</b>	<b>(a ) Guidelines for drafting of paragraphs</b>
	<p>CAG's Office has issued a "Style Guide" for introducing uniformity in the drafting/reporting style of the Audit Reports (APPENDIX-VIII) .The instructions contained in the Guide may be followed while drafting the Audit Reports (CAG's Letter No.113-Audit(AP)/6-2003/348 dated 27-8-2003)</p> <p>The following instructions should also be borne in mind while preparing draft paragraphs for inclusion in the Audit Report :</p> <p>(i) The draft paragraphs should not be very lengthy and should not include unnecessary material.</p> <p>(ii) They should give all relevant information with dates wherever necessary and lay correct emphasis on the exact points to be brought out.</p> <p>(iii) All words and phrases likely to cause resentment or unpleasantness should be avoided.</p> <p>(iv) The paragraphs should be worded in a detached and dispassionate language so that, the facts speak more than the comment.</p> <p>(v) The words "Audit Comments" or the qualifying words such as "Audit thinks that" or "Audit comments on" are unnecessary and should not be used in the draft paragraph.</p> <p>(vi) The names of the Departments, Organisations and parties connected with the irregularities should be mentioned in the paras except where the para bring out some fraud or misappropriation on the part of an official and departmental and criminal proceedings are taken against him so as not to give a clue to his identity. Names of individuals should not however be mentioned; only the designation should be given.</p> <p>( CAG's Lr. No. 3724/Rep/385-69 dated 4-12-1960 case AA/54-1/56-60 Vol.VI )</p> <p>(vii) The responsibility of the departments concerned for the irregularity should be brought out in the para by including information on the following points :</p> <p>(a) Did the matter come to the notice of the Finance Department at any stage. If not, was it due to lack of vigilance ? If so, the position should be clearly brought out.</p> <p>(b) What was the action suggested by the Finance Department ?</p> <p>(c) Did the administration follow this advice ?</p> <p>(d) If so, did the irregularity or loss take place in spite of following the advice ?</p> <p>(e) Did the Finance Department take or suggest any action after the irregularity had taken place ?</p> <p>( CAG's Lr. No. 547/Rep/58-61 dated 24-2-1961 Case AA 51-1/60-61)</p>

	<p>(viii) The emphasis should be on quality rather than quantity and on analysis rather than mere narration.</p> <p>(ix) The thrust of the paragraphs and reviews should come out clearly, Reviews and paragraphs should be concise, unnecessary descriptive material should be cut out and the facts stated should be brought out in sharp focus with adequate thrust. Only matters of public importance should be incorporated.</p> <p>( D.O. No. 792-Rep/294-78 dated 23-8-1978 and No. 621/Rep/125-79 dated 4-5-1979 of Addl. Dy. C&amp;AG Case Rep.I/54-1/Vol.XXI &amp; XXIV )</p> <p>(x) The paragraphs should not be cluttered with information not relevant to the points sought to be made.</p> <p>( HQrs. D.O. Lr. No. 1009-Rep/83-72 dated 5-6-1972 ).</p>
	<p><b>(b) Processing of draft paragraphs for the Report of the Comptroller &amp; Auditor General ( Civil)</b></p>
	<p>(i) DP Cell (Civil) should ensure that draft paragraphs, Scheme reviews processed by it after approval by the Group Officer are sent in a phased manner to Report Section before the prescribed due date.</p> <p>(ii) DP Cell ( Civil) Section should submit the draft paragraphs first to the Group Officer and after approval by him send them to Report Section after observing the procedure mentioned in 8.14 (iii) together with the original files containing the notes leading to the draft paragraph. The section should also invariably furnish to Report Section one attested copy of all the references cited as keys to the para, in every case.</p> <p>Where the remarks of Report Section on specific points or particular aspects are considered essential before finalisation of paras, the relevant files may, after obtaining the orders of the group officer, be referred to Report Section.</p> <p>(iii) The Comptroller and Auditor General of India has reiterated that the view point of the departmental heads/ Government should be ascertained in all cases before audit comments are proposed, as otherwise a dispassionate and objective analysis of the relevant factors may not be possible. However, in regard to cases where the departments concerned / Government fail to intimate their views within a reasonable time, paragraphs can be attempted without waiting for their views. If any irregularity brought to light by Audit had been noticed earlier at the departmental / Governmental level and necessary corrective action initiated, that aspect should receive due consideration in Audit, while processing such cases for draft paragraphs.</p> <p>(iv) Cases relating to old period, need be processed for the Report for the year only if the factors involved are likely to be of interest to the Public Accounts Committee.</p> <p>(v) DP Cell (Civil)_ should take special efforts to ensure that draft paragraphs arising out of Inspection Reports issued till the end of March of the year are processed by 1<sup>st</sup> August of that year at the latest.</p> <p>(vi) The following points should be kept in view while processing draft paragraphs/ scheme reviews :</p> <p>(a) The paragraphs should be clear and concise and should give a correct and factual account of the points in plain impersonal language so that a person not well-versed in the details of accounting and audit is able to comprehend the points sought to be made. Long narration unnecessary for the main theme of the para should be avoided, the emphasis being on clarity, precision and quality. This applies to reviews also where the introduction must be brief and to the point containing mainly the material necessary to understand the scheme or project and for comprehending the points sought to be made subsequently in the review. Long and complex paragraphs /</p>

review should end with a summing up bringing in sharp focus the major points.

Each statement / figure in the draft para should be supported by key documents. The draft para should be properly referenced indicating the page number of the relevant document in the key file to which the observation / comment could be linked.

- (b) Comments on a scheme or project which failed to produce the expected results should be based on an in depth analysis of the relevant factors like adequacy or otherwise of initial planning, defects in execution due to lack of co-ordination., deficiencies in organisation/ procedures etc. In short, audit appraisal should highlight defects in systems, inadequate survey etc.
- (c) Shortfall in achievements or results derived from schemes/ projects may be indicative of unrealistic projection of cost benefit figures based on incomplete and inadequate studies and data. To what extent the data based on which the scheme/ project was prepared had been defective/ incomplete should be analysed and indicated in the draft paragraph briefly. The consequences of defective estimation, delay in execution, etc. should also be pin-pointed wherever necessary. In cases where schemes/ projects are taken up on the basis of inadequate studies, that aspect should be specially brought up.
- (d) Apart from statistical presentation of facts and figures, scheme reviews should contain a critical analysis of reasons for variations from prescribed norms, targets, estimates etc. The analysis should bring out the various factors leading to the shortfall like lack of proper co-ordination, non-availability or inadequate flow of funds, abnormal climate, non-availability of suitable land, equipment, personnel, etc.
- (e) In reviews, attempt should be made to assess the achievements of social benefits from the scheme.
- (f) All important dates should be indicated in the narrative for proper appreciation of the various decisions taken by the concerned authorities in the correct chronological sequences. Similarly copy of all connected documents should be collected and referenced properly.
- (g) Points which may be of interest to the Public Accounts Committee should be highlighted. In fact, the approach should be to process cases from the angle in which the committee is likely to view them. The data given in each para should be self-contained so that it may be possible for the Committee to come to definite conclusions and make meaningful recommendations.
- (h) Along with each para a write up indicating the organisational frame work in which the scheme was to be executed, the rules/ orders which were to be complied with, the agencies through which the scheme work was to be implemented, how the scheme/work was to be phased during execution etc. should also be furnished to have a better appreciation of the case.
- (i) Each draft paragraph should clearly indicate where, when, how and why things went wrong; and also incorporate wherever possible, the department's view in the matter.
- (j) Special Cell should ensure that draft paras incorporating results of audit under Section 14/15 of the Comptroller and Auditor General's (D.P.C) Act, 1971 are prepared keeping in view the extant instructions on the subject.
- (k) While commenting on the implementation of Centrally sponsored / Centrally aided schemes in the State Audit Report it should be specifically stated whether the figures of expenditure incurred on the schemes mentioned in the para are 'account figures' or 'departmental figures'. In cases where departmental figures are quoted, it should be stated:
  1. why the account figures cannot be given;
  2. whether the figures of expenditure on the schemes have been certified by Audit

	<p>for adjustment against the specific grants / loans released by Government of India for the schemes; and</p> <p>3. whether the unspent balance has been refunded.</p> <p>(l) The sections proposing the draft paragraphs should ensure that the figures of extra expenditure/ losses etc. or of other amounts included in the draft paragraph have been worked out correctly and should also enclose a statement duly authenticated showing the calculations by which the amounts have been arrived at.</p> <p>(m) To eliminate petty items from the Audit Reports, Headquarters have instructed that draft paragraphs involving Rs.25 lakh or more only need be finalised for inclusion in the State Civil Audit Report. As an exception, draft paragraphs for amounts less than Rs.25 lakh may be proposed if they present special features, e.g. instances of system failure, etc.</p> <p>( vide Headquarter's letter No. 353-Rep(S)/175-2000 dated 19-4-2001 )</p> <p>(n) Instructions issued by headquarters and endorsed by Report Section from time to time should be scrupulously adhered to while processing material for the Civil Audit Report.</p> <p>(o) Extra expenditure due to failure of the departments to avail themselves of DGS &amp; D rate contracts should be highlighted wherever possible.</p> <p>Report Section will issue separate circulars/ notes to Sections concerned fixing due dates for submission of material for routine/ statistical paragraphs to be included in the Report for each year. Group / Branch Officers should ensure that the due dates fixed in such cases are scrupulously adhered to by the Sections. ( Circular No. Rep. I/ 53-3/87-88 dated 20-3-1987 )</p>
<b>8.20</b>	<b>Instruction for improving the quality of Audit Report</b>
	<p>Audit Report contains the quintessence of Audit findings. It is with reference to the contents of the Audit Reports that the Legislators and the Public judge the performance of Audit. The quality of Audit Reports therefore needs continuous improvement. With this object in view the following instructions have been issued :</p> <p>(i) A data Bank Cell to function as a treasure house of information and data useful for conducting reviews/ investigations shall be started as part of Report Section. For feeding documents / data to the Data Bank, the following procedure is to be followed.</p> <p>(a) Newspapers and periodicals purchased by the Main Office are to be circulated to the Cell for taking clippings and filing them subject-wise.</p> <p>(b) Extracts / copies of budget documents / important Reports are to be supplied by the concerned sections to the Cell for being kept in the Data Bank.</p> <p>(c) In addition to the usual copy, one extra copy each of all important orders is to be endorsed to Report Section by the concerned sections so that the extra copy can be kept in the Data Bank.</p> <p>(d) Copies of enactments, bills, ordinances, important statutory notifications, etc. are to be stored in the data bank cell. For this, the following procedure is to be adopted :</p> <p>From one copy of each State Gazette, General Section should detach the portions containing enactments, ( both Central and State ), bills, ordinances, statutory notifications etc. and get them bound in convenient volumes. The bound copies are to be furnished to the Cell for preservation and reference.</p> <p>(e) The Cell should prepare a subject index of the collections for easy reference,</p> <p>(f) OA (HQrs) Section of Thrissur Branch Office should take action for starting a similar cell under it.</p> <p>(ii) Before an audit party commences any major review or inspection, the Group Officer may,</p>

wherever necessary, discuss the various aspects of the proposed audit and review with the party and issue them suitable guidelines. The guidelines so issued should be meticulously followed by the parties while conducting review / local audit. In the case of reviews, the guidelines may be issued in the shape of an Audit Plan covering the following points :

- (a) Background material
- (b) Objective of the review
- (c) Areas to be covered
- (d) Points to be seen
- (e) Information to be collected
- (f) Method of analysis of information
- (g) Objections likely to be noticed
- (h) Time frame for completion of review

- (iii) In order to enable the Accountant General to assess the quality of contribution made at various levels, in identifying and processing audit findings the Accountant General will test check some Inspection Reports every quarter. In order to enable the Accountant General to select the Inspection Report for test check, OA(HQ) and other sections dealing with Inspection Reports should submit to the Accountant General quarterly on 10<sup>th</sup> of April, July, October and January the "Register of Performance cum selection of Inspection Reports for review by A.G."(Form-XVI), with all details as required in the column provided in the register. The Inspection Reports selected should be submitted to the Accountant General within 3 days of their selection with the list of Inspection Reports selected by Accountant General and copies of remarks of Accountant General, if any, in the register and replies thereto of the section authenticated by the Group Officer.

( Authority : Circular Nos. ITA/27-1/97-98 dated 18-2-1998 and ITA/27-1/41 dated 6-6-2000 and OA(HQ)/GI/2001-02/7-2-2002))

- (iv) There should be a system of selecting a scheme for audit / brief review by each inspection party. OA(HQrs) / other headquarters sections dealing with inspection reports will identify such schemes for brief reviews. In case the brief review throws up important points, the scheme should be suggested to EPA (HQrs) for conducting an overall review.
- (v) Every year one or two departments shall be selected for intensive and incisive review by EPA parties. Such reviews should deal with inter alia
- (a) The systems for budget preparation and expenditure control,
  - (b) Procedure for sanctioning works, schemes, etc.,
  - (c) Machinery and methodology for monitoring performance,
  - (d) Actual performance, etc.

It should also include the results of comprehensive manpower audit which will deal with

- (a) Development of work norms and standards,
- (b) Forecast of staff requirements,
- (c) Sanction of posts,
- (d) Recruitment,
- (e) Utilisation of manpower
- (f) Effectiveness in dealing with staff claims and complaints,
- (g) Delays and ineffectiveness in dealing with disciplinary cases,
- (h) Training activities etc.

The review will be monitored by EPA ( Headquarters).

Local audit parties may also include comments on the above aspects in the Inspection Reports pertaining to the offices inspected by them. Extracts of such paragraphs should be furnished by OA(HQrs) periodically to EPA(HQrs) along with a brief summary for incorporation in the review.

- (vi) Horizontal reviews of certain functions (like manpower management, material management, computerisation monitoring of implementation of Plan Schemes ) cutting across all the departments can also be attempted. Selection of topics for such macro reviews will be made by

	<p>OA(HQrs) in consultation with Report Section keeping in view the instructions if any issued by Headquarters. Once the topics are selected, OA(HQrs) is to advise the filed parties to look for points germane to the review. Each audit party should furnish along with the draft Inspection Report, a special report on the aspect selected for the macro review, OA(HQrs) will keep these special reports department-wise and prepare a review by the end of June every year. The reviews along with the folders are to be sent to Report Section by 15<sup>th</sup> July.</p> <p>(vii) The impact of each scheme on the general public as a whole, should be brought out in reviews. The reasons for non-achievement of targets should be analysed in dept and included in the reviews.</p> <p>(viii) Review parties should, after in-depth study of implementation of each selected scheme, make recommendations for improving procedures and practices to secure systems improvement in the Auditee organisations. Their recommendations should be included in the review report so that they can be further processed and incorporated in the Audit Report. Positive aspects noticed in the course of systematic review should be appropriately mentioned in the Review Reports so that they can also be included in the Audit Report wherever justified.</p> <p>(ix) Graphs, charts, photographs etc. can be incorporated in the Audit Report for clarifying points sought to be commented/ stressed. OA Parties/ review parties are to bear this in mind and furnish approved sketches, maps, photographs, etc. so that they can be incorporated in the Audit Report for elucidating facts, besides making better visual impact.</p> <p>(x) Draft paragraphs / review should be drafted in simple language. Efforts should be made to reduce use of passive voice and complex sentences and avoid verbosity, brackets, parenthesis, extraneous information etc.</p> <p>( D.O. Lr. No. 1453-Rep ( C ) 99-87 dated 17-8-1987 from S.S. Ahmed, Addl. Dy. C&amp;AG, Rep. Section File No. Rep. I/54-1/Vol. XXX and Office Order Rep.I/54-1/Vol.XXX dated 2.11.1987).</p>
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## ANNEXURE

[Please see Para 8.08(i)]

**CATEGORISATION OF PARAS IN INSPECTION REPORTS  
CIVIL AUDIT**

(Vide CAG's Lr. No. 207-Audit(A)/16-2004 dated 22<sup>nd</sup> November, 2004)

<i>Sl. No.</i>	<i>Broad heading / Category of paragraph</i>		<i>Nature of Audit observation</i>	
1.	Fraud / misappropriation / embezzlement / losses detected in audit	(i)	Cases of embezzlement of cash drawn from treasury	A1
		(ii)	Non-accounting / misappropriation of departmental receipts i.e. non-remittance into treasury	A2
		(iii)	Excess amounts fraudulently drawn by tampering with or manipulating figures in salary bills.	A3
		(iv)	Fraudulent drawing of G.P. Fund of various employees who had not applied.	A4
		(v)	Utilisation of departmental receipts towards expenditure	A5
		(vi)	Losses to exchequer due to theft, pilferage and shortages of stores	A6
2.	Recoveries at the instance of audit and overpayments detected in audit	(i)	Recoveries of service payment like pay and allowances, T.A.	B1
		(ii)	Excess payment to contractors due to application of higher rates for work done, etc.	B2
		(iii)	Quantities of stores/works received/executed less than those paid for, resulting in overpayments.	B3
		(iv)	Overpayments on account of errors of computation	B4
		(v)	Overpayments due to application of or allowing incorrect rates.	B5
		(vi)	Allowing payment of charges such as carriage etc., in violation of terms of agreements.	B6
		(vii)	Overpayments on account of excess pay and allowances or payment of inadmissible allowance	B7
		(viii)	Excess payments of pension, etc. by Treasuries / Banks	B8
		(ix)	Non-recovery of instalments towards various loans.	B9
		(x)	Non-recovery / Non-deduction of Income Tax or Service Tax as source	B10
		(xi)	Payment of subsidies / assistance in excess of norms fixed.	B11



3.	Violation of contractual obligations. Undue favours to contractors	(i)	Backing out by contractors resulting in extra expenditure.	C1
		(ii)	Non-imposition of penalty and recovery of extra cost from contractors involved in above cases.	C2
		(iii)	Payment of interest free advances in violation of agreement.	C3
		(iv)	Release of key material on credit basis instead of cash basis	C4
		(v)	Penalties not levied for delay in execution / completion of works within stipulated time.	C5
		(vi)	Non-recovery of supervision charges.	C6
		(vii)	Non-recovery of salvaged material	C7
4.	Avoidable/excess expenditure	(i)	Delay in execution of works resulting in time and cost overrun and consequent extra expenditure	D1
		(ii)	Delay in obtaining Customs clearance etc. for imported equipment resulting in increase in cost or payment of avoidable demurrage charges.	D2
		(iii)	Cost escalation due to improper and inadequate planning.	D3
5.	Wasteful / infructuous expenditure	(i)	Abandonment of works due to defective or disputed sites and structural / design defects. etc.	E1
		(ii)	Non-utilisation of assets created for specific purposes.	E2
		(iii)	Non-achievement of specific objective for which expenditure was incurred	E3
		(iv)	Supply of defective stores / stock articles like time barred / sub-standard medicines, seeds, etc.	E4.
6.	Regulatory issues	(i)	Expenditure incurred without sanction from competent authority	F1
		(ii)	Expenditure split to avoid sanction of competent authority or calling for tenders, etc.	F2
		(iii)	Expenditure incurred in excess of budget provision resulting in creation of liabilities.	F3
		(iv)	Execution of works or procurement of supplies without adequate budgetary provision resulting in creation of liabilities to be met from next budget.	F4
		(v)	Diversion of funds from one scheme to another or from one object head to another.	F5
		(vi)	Drawing of funds at the fag end of financial year with a view to avoid lapsing of funds.	F6
		(vii)	Rush of expenditure towards the fag end of financial year resulting in non-exercising of financial control/ checks .	F7

		(viii)	Drawing of funds at the fag end of year without immediate disbursement and their parking in either bank accounts, PL Account or retention in cash/bank drafts.	F8
		(ix)	Incurring of expenditure on banned items or items of special nature without approval of competent authority.	F9
		(x)	Non-observance of austerity measures announced by Government from time to time.	F10
		(xi)	Payment of rent of hired buildings without approval or fixation of rent by Rent Assessment Committees.	F11
		(xii)	Engagement of daily wagers in violation of Government orders and payment made to them without orders of competent authority.	F12
		(xiii)	Execution of works without obtaining administrative approval/technical sanction from competent authority.	F13
		(xiv)	Purchase of stores/stock in excess of actual requirement with a view to avoid lapsing of funds.	F14
		(xv)	Payments made on hand receipts in contravention of Rule 200 of Public Works Account Code.	F15
		(xvi)	Execution of works in excess of estimate, unrealistic preparation of estimates.	F16
		(xvii)	Procurement of material/execution of works without observing codal provision of invitation of tenders, etc.	F17
7.	Idle investment / idle establishment / blockade of funds	(i)	Expenditure incurred on purchase of stores not required for immediate use and not put to use for long periods.	G1
		(ii)	Expenditure incurred on execution of works/construction of buildings, etc., which could not be put to use owing to reasons which could be foreseen.	G2
		(iii)	Expenditure on activities/schemes which could not be completed/ implemented for various reasons.	G3
		(iv)	Expenditure incurred on purchase of equipments including imported ones, not put to use for want of trained manpower, missing spares, defective supplies and assessment of the feasibility of procurement.	G4
		(v)	Funds advanced to various agencies for supplies or construction works retained unauthorized by such agencies.	G5
		(vi)	Payment of idle wages to staff whose service could not be utilized for the purpose for which appointed due to excess staff or lack of work for such staff.	G6
		(vii)	Release of funds for activities without	G7

			ensuring availability of adequate infrastructure.	
8.	Delay in commissioning of equipment	(i)	Due to non-availability of necessary infrastructure.	H1
		(ii)	Due to unavailability of trained manpower.	H2
		(iii)	Due to non-availability of spare parts or accessories.	H3
9.	Non-achievement of objectives	(i)	Comments on shortfall in achievement of targets.	I1
		(ii)	Tardy implementation of schemes.	I2
		(iii)	Non-fulfilment/achievement of objectives for which a programme was launched or an organization created.	I3
		(iv)	Non-accrual of intended benefits to targeted population.	I4
		(v)	Comments on mismatch between financial and physical achievements.	I5
		(vi)	Comments on less production/yield compared to expected production/ yield.	I6
10.	Miscellaneous observations	(i)	Departmental specific irregularities / observations not covered in any of the above	J1
		(ii)	Departmental specific irregularities/ observations not covered in any of the above.	J2
		(iii)	Retention of heavy cash balances.	J3
		(iv)	Belated remittances of receipts into treasury.	J4
		(v)	Comments/observations on maintenance of records.	J5
		(vi)	Comments on improper/ non-maintenance of records.	J6
		(vii)	Comments on submission/ non-submission of utilization certificates.	J7
		(viii)	Non-recovery/non-adjustment of Miscellaneous Public Works Advances from officers, other Government departments and private parties.	J8
		(ix)	Non-crediting of deposits lying unclaimed for more than 3 years to Government.	J9
		(x)	Reconciliation not being done with agencies supplying stores etc. where centralized system of purchase of stores exists.	J10
		(xi)	Non-recovery of hire charges of machinery etc., let out or material supplied where centralized system exists.	J11

<b>CHAPTER 9</b>	
<b>PERSONAL DEPOSIT ACCOUNTS AND TREASURY PUBLIC ACCOUNTS</b>	
<b>9.01</b>	<p>Personal Deposit (PD) account forms part of "Civil Deposits" and is intended to accommodate funds such as Devaswom Fund, Palace Funds, Hindu Religious Charity Fund, Treasury Cash Orders, Official Receiver's and Official Assignees' Deposits, Police Funds, Caution Money collected by Government Institutions such as Colleges, Hostels, Agricultural and Commercial Schools, Public Library etc. Government servants in their official capacity may also open personal deposit/ accounts for specific purpose with specific sanction of Government. ( Article 272 of Kerala Financial Code, Volume I).</p>
<b>9.02</b>	<p>The Treasury should not credit any amount under deposit head without the formal sanction of the competent authority. As a general rule, no amount should be credited under a deposit head if it can be properly credited to some other known head in the Government account ( Article 281(a) of KFC Volume I).</p>
<b>9.03</b>	<p>Personal Deposit Accounts administered by the Government Officials, which are created by debiting the Consolidated Fund except such accounts which are created by any law, or rule having the force of law should be closed at the end of each financial year by minus debit of their balances to the relevant service heads in the Consolidated Fund, and personal deposit accounts being opened next year, again, if necessary in the usual manner. ( Article 281(5)(d) of Kerala Finance Code, Volume I ).</p>
<b>9.04</b>	<p>Treasury Public (TP) accounts are generally in the nature of savings bank accounts. Autonomous bodies, local bodies, statutory companies and co-operative societies are allowed to open TP accounts in Treasuries. Individuals and institutions receiving grants from Government/local bodies are also allowed to open TP account. Heads of educational institutions are allowed to open accounts to deposit fees collected by them towards extra curricular activities. ( Rule 44 of Appendix 3 of KTC Volume I )</p>
<b>9.05</b>	<p>No account may be allowed, for depositing money:-</p> <ul style="list-style-type: none"> <li>(a) Which is the property of Government or</li> <li>(b) Which has been received for credit of the Government or</li> <li>(c) Which has been drawn from the Treasury for expenditure on account of the Government or</li> <li>(d) Which is collected or received or held in trust by any public officer or court in accordance with any law, provided that the money is the property of the Government</li> </ul> <p>( Rule 51 of Appendix 3 of KTC, Volume II).</p>
<b>9.06</b>	<p>Personal Ledger Accounts ( Personal Deposit / Treasury Public Account / Treasury Savings Bank Account ) have to be checked in details during local audit and irregularities detected to be included in the Inspection Report. A Separate Special Report on the results of the examination of the accounts should invariably accompany the Inspection Reports. If there is no PD/TP/TSB accounts in the auditee institution a NIL report should be furnished. While auditing the PD/TP accounts, the following checks may be exercised.</p> <ul style="list-style-type: none"> <li>(a) The authority under whose orders the account was opened.</li> <li>(b) Whether the codal provision of Article 281(5)(d) of the Kerala Financial Code, Volume I has been strictly observed for operation of the account.</li> <li>(c) Verify Opening Balance as on 1<sup>st</sup> of April, deposits and withdrawals during the year and closing balance as on 31<sup>st</sup> March of the succeeding year.</li> <li>(d) Ascertain the source from which the funds were received with dates of receipts and amount drawn from the Consolidated Fund, head of account is to be specified ( e.g. State/ Central</li> </ul>

	<p>Government / Others ).</p> <p>(e) Analyse the amounts received and the amounts deposited in (i) PD/TP account (ii) Nationalised banks/co-operative banks with date of deposit and nature of deposit.</p> <p>(f) Examine the purpose for which the funds were received to see whether the funds have been diverted for other purposes.</p> <p>(g) Examine the utilisation of funds during the financial year and the amounts kept unutilised till the time of audit.</p> <p>(h) If the amount was provided for specific schemes, details such as scheme profile, physical and financial targets / achievements deficiencies in implementation / achievement of target / objective are to be specified in the report.</p> <p>(i) It should be seen whether periodical reconciliation with treasury has been conducted. If it is not up to date, the details of difference between the Treasury figure and department figure may be furnished.</p> <p>(j) It should be checked whether accounting records such as cash book etc. are maintained.</p> <p>(k) Cases of wrong credits to the accounts ( e.g. Revenue which are required to be credited to Government account wrongly credited to the PD account ) may be commented upon.</p> <p>(l) Government have issued orders from time to time to deposit the surplus funds of local bodies / corporations/ companies in treasuries instead of Nationalised Banks/ Co-operative Banks. Cases of violation of the orders with full details of amounts deposited in nationalised Banks / Co-operative Banks in accordance with the provisions of the respective Acts of the local bodies / corporations may be indicated separately. ( Circular No. 11 of OA(HQ)/GI/4-5/97-98 dated 2/1998 ).</p> <p>(m) Financial Rules prescribed that no money can be drawn from treasury unless it is required for immediate payment. But moneys are deposited in PL Accounts as a matter of routine by debit to the Service heads, primarily to prevent the lapse of budget grants. Such cases should be reported.</p> <p>(n) It may be seen whether moneys are deposited into PL accounts event though sufficient unspent balance of earlier years are available in these accounts.</p> <p>(o) If a PD/TP account is not operated for a considerable period and there is reason to believe that the need of the Deposit Account has ceased, the same is to be closed in consultation with the Officer holding the Account. The fact may be included in the report.</p> <p>(p) Most of the deposits and withdrawals in PL Accounts take place in the last quarter, particularly in the month of March. The authenticity and propriety of such transactions require special examination.</p> <p>(q) Some D.D.Os deposit money pertaining to different schemes into the same PL Account operated by them but do not maintain separate scheme / project-wise registers/ accounts. With the result, when a withdrawal is made, there is no record to confirm whether adequate fund existed under that scheme to cover the withdrawal. In such cases, lack of scheme-wise control over expenditure requires to be commented.</p> <p>(r) Diversion of funds from PL Accounts is to be commented.</p> <p>(s) Audit should see whether the DDO monitors the receipt of utilisation certificates from the executing agencies.</p> <p>(t) Continued operation of PL Account even after orders of its closure, may be commented in Audit.</p> <p>(u) Non-production of relevant records on PL Account transaction is to be highlighted in Audit.</p> <p>(v) Audit of transactions of PL Accounts to the extend of at least 25% should be carried out on regular basis. Transactions of PL Accounts should be strengthened and Audit Report should reflect this adequately ( CAG's letter No. 770/Rep(S)/79-95 dated 16-7-1997 and Circular No. 18 of OA(HQ)/GI/14-5/98-99 dated 23-07-1998 ).</p> <p>(w) Government money should not be deposited (TFD Accounts/ SD Accounts /PD Account) without specific sanction. If a Government servant wants to deposit Government money in a treasury, he must obtain Government orders in advance. For this, the Administrative Department in the Secretariat should obtain prior concurrence of Finance ( streamlining) Department. But the treasury officers should see that no interest is allowed to Government money unless</p>
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	<p>otherwise ordered by Government. The Treasury Officers should check all existing deposits for this purpose. If the treasury officer is aware that drawal of cash from the treasury is for the purpose of depositing in a bank or in the treasury itself without proper authority, he should report such cases to Government in Finance ( Streamlining) Department. ( No. 46/93/Fin(SL) dated 20-7-1993 ). Omissions in following these instructions should be commented in Audit.</p>

<b>CHAPTER 10</b> <b>INFORMATION TECHNOLOGY AUDIT ( IT AUDIT )</b>	
<b>10.01</b>	As a number of Government Departments, Public Sector Enterprise and Autonomous Bodies have computerised various areas of their operations, it has become imperative for audit to change the methodology and technique of conducting audit. The provisions in Paras 3.22.1 to 3.22.76 of the MSO (Audit) Second Edition, 2002 may please be referred to.
<b>10.02</b>	<b>Audit concerns associated with the use of IT systems</b>
	<p>As IT is increasingly being used by the auditee organisations to automate their operations, the auditor needs to assess the risks associated with the use of these systems and their vulnerability to these risks. Some of the risks involved in the use of Information Technology Systems include :</p> <ul style="list-style-type: none"> <li>(a) Reduced accountability due to anonymity of users.</li> <li>(b) Possibility of unauthorised and unrecorded amendment to data</li> <li>(c) Absence of a visible audit trail.</li> <li>(d) Possibility of duplication / non-inclusion of data</li> <li>(e) Distributed data storage and processing</li> <li>(f) System failure/ shutdown</li> <li>(g) Outsourcing of IT services</li> </ul>
<b>10.03</b>	<b>Aspects of Audit Planning</b>
	<p><b>(1) Technical Planning</b></p> <p>We have to carry out a general review of the IT system ( GRIT) of the auditee to obtain an overview of the</p> <ul style="list-style-type: none"> <li>• Auditee, nature of their business including their IT strategy and policies and management and control strategy</li> <li>• The size, type and complexity of the computerised financial system used by the auditee and its relation with the supporting subsystems</li> <li>• Major IT systems in terms of value of the system themselves and their contribution to the achievement of the corporate objectives of the auditee.</li> </ul>
	<p><b>(2) Logistical Planning</b></p> <p>This involves</p> <ul style="list-style-type: none"> <li>(a) Resource Planning ( man power, hardware, audit software tools and budget )</li> <li>(b) Allocation of responsibility to the IT audit team.</li> <li>(c) Planning the methodology of audit, viz. system based audit or direct substantive testing.</li> <li>(d) Drawing up a time schedule for various tasks on the basis of complexity of the auditee's system and their business criticality</li> <li>(e) Exploring ways of obtaining audit evidence and framing the reporting requirements.</li> </ul>
<b>10.04</b>	<b>Controls</b>
	In the context of IT systems, there are two types of controls -- General Controls and Application Controls.



10.05	<p><b>General Controls</b></p> <ul style="list-style-type: none"> <li>(a) Organisation and Management Control</li> <li>(b) Separation of Duties</li> <li>(c) Physical and Logical Access Controls</li> <li>(d) System Development Controls</li> <li>(e) Program Amendment Controls</li> <li>(f) Business Continuity Control</li> </ul>
	<p><b>(a) Organisation and Management control</b></p> <p>This control enables the auditor to derive assurance that there is an appropriate framework for ensuring the effective management of IT system and that Management is involved in IT system.</p> <p><i>Audit Checks</i></p> <ul style="list-style-type: none"> <li>• Ensure whether there is a formal IT strategy and detailed tactical plans and see if they are in line with the stated business objectives.</li> <li>• Identify major IT units.</li> <li>• Examine if there is a sufficiently empowered IT strategy committee actually involved in the management of IT.</li> <li>• Verify if policies, standards, procedures and methodologies have been approved for controlling IT.</li> <li>• Examine if management takes into consideration the total costs.</li> </ul>
	<p><b>(b) Separation of duties</b></p>
	<p>Separation of duties within the IT department is an essential requirement of effective management of IT system as it would reduce the risk of fraud and error.</p> <p><i>Audit Checks</i></p> <ul style="list-style-type: none"> <li>• Examine organisational chart to determine adequacy of separation of duties.</li> <li>• Review job description to determine that the segregation is maintained.</li> <li>• Review back-up arrangement to ensure that separation is maintained.</li> </ul>
	<p><b>(c) Physical and Logical Access Control</b></p>
	<p>Physical access controls aim at safeguarding the computer equipment from unauthorised access, theft and damages due to accidents, deliberate action, etc.</p> <p>Logical access controls such as password aim at protecting the data files from unauthorised access.</p> <p><i>Audit checks</i></p> <ul style="list-style-type: none"> <li>• Verify whether there is a formal IT security policy and a security program for the organisation.</li> <li>• Verify if users are aware of all security procedures and associated disciplinary action and if security drills are conducted regularly.</li> <li>• Check whether there are appropriate physical access restriction for the computer room and even for supporting staff such as cleaning, security and maintenance staff.</li> <li>•</li> </ul>
	<p><b>(d) System Development Controls</b></p>
	<p>These controls ensure that there is an adequate framework for successful and cost effective development and implementation of IT system in tune with corporate objective and the requirements of the users.</p>

	<p><b>Audit checks</b></p> <ul style="list-style-type: none"> <li>• Check if a formal methodology has been accepted for design and development of IT system.</li> <li>• Check if a formal project management framework has been put in place and whether a project management methodology has been adopted to minimise the risks and delays.</li> <li>• Check the level of involvement of users in the design and implementation of system.</li> <li>• Verify if an adequate audit trail has been built into the system.</li> <li>• Verify adequacy of specific controls at each stage of the system development life cycle.</li> </ul>
	<p><b>(e) Program amendment controls</b></p>
	<p>These controls ensure that all the modifications to the existing systems are authorised, properly tested, documented and operated as planned.</p> <p><b>Audit checks</b></p> <ul style="list-style-type: none"> <li>• Verify if there are formal procedures for management authorisation of amendments through testing before live implementation, management review of the resulting changes and adequate documentation of the amendments.</li> <li>• Verify if amendment schedules have been specified to allow time for adequate installation and testing of the new hardware and software.</li> <li>• Verify if before implementing the amendments, various manuals have been modified suitably.</li> <li>• Ascertain if the time schedule for effecting the amendments have been adhered to.</li> <li>• Evaluate if the testing change procedures interfere with normal operations.</li> <li>• Check whether the auditee has any back out plan.</li> </ul>
	<p><b>(f) Business continuity planning or back up and recovery control</b></p>
	<p>This covers planning and implementation of countermeasures against natural and manual threats like fire, flood, power cuts, physical damage and theft. We need to ensure that a disaster discovery plan for IT facilities exist as a part of business continuity plan of the organisation and auditee can produce reliable data in a reasonable time following the break down of the IT system.</p> <p><b>Audit checks</b></p> <ul style="list-style-type: none"> <li>• Check if the procedures for back up are adhered to in practice and the back-up data stored off sites are in a secure place.</li> <li>• Verify if the back-up procedures are adequate to ensure that programs and data can be reconstituted early, examine if data recovery arrangements are documented and tested regularly.</li> <li>• Check if there is a formal disaster recovery plan -- review the stand by arrangements for processing as also for recovery of the main system.</li> </ul>
<b>10.06</b>	<b>Application Controls</b>
	<p><b>(a) Input Controls</b></p>
	<p>These controls ensure that the data being keyed into the computer is authorised, accurate, unique ( no duplication ), complete and recorded.</p> <p><b>Audit checks</b></p> <ul style="list-style-type: none"> <li>• Identify the main inputs to the application.</li> <li>• Check if there are procedures for authorisation of input data, conduct a test check of authorisation.</li> <li>• Verify the adequacy of checks ( manual and computerised) for validation of data.</li> <li>• Verify the adequacy of procedures for ensuring uniqueness of completeness of data.</li> </ul>

	<ul style="list-style-type: none"> <li>• Verify the procedure for handling incorrect data and the re-input ( after correction ) to the system.</li> </ul>
	<b>(b) Processing Control</b>
	<p>These controls ensure that the processing transaction is accurate, complete, unique, valid and auditable.</p> <p><i>Audit checks</i></p> <ul style="list-style-type: none"> <li>• Check the controls for validation of completeness and accuracy of data at each stage of processing.</li> <li>• Check procedure for error handling at each stage of processing.</li> <li>• Check if there are procedures for verifying periodically the integrity of data tables.</li> </ul>
	<b>(c) Output Controls</b>
	<p>These ensure that what comes out of the computer is complete, accurate and has been distributed as planned.</p> <p><i>Audit checks</i></p> <ul style="list-style-type: none"> <li>• Check the controls for ensuring accuracy and adequacy of outputs. E.g. Overall reconciliation of output back to inputs.</li> <li>• Check if there are controls to ensure that outputs are safeguarded adequately before distribution; and that these reach proper destination.</li> <li>• Check for controls on issue, reconciliation and verification of financial stationery ( e.g. Cheques) and controls on stationery printed, distributed and cancelled.</li> </ul>
	<b>(d) End User Computing Controls</b>
	<p>With the growing trend towards end user computing it is necessary that there is adequate control over the data processing by users on their desktops. Here the auditor needs to see, if the users are provided with adequate, good practice guidance on security, virus protection and the maintenance of adequate back ups.</p> <p><i>Audit checks</i></p> <ul style="list-style-type: none"> <li>• Check if access to computers is restricted and controlled adequately E.g. through locking of computers.</li> <li>• Check if sensitive information is protected adequately through encryption, password etc.</li> <li>• Check if there are methods for backing up data and if these are adhered to in practice.</li> <li>• Check if floppy disks are stored securely.</li> <li>• Check control for prevention of entry of viruses, verify if computers are scanned periodically for viruses.</li> <li>• Check the adequacy of support services of maintenance and repair.</li> </ul>
<b>10.07</b>	<b>Audit of procurement of IT system</b>
	<p>The importance of audit of IT systems arises due to the following reasons :</p> <ol style="list-style-type: none"> <li>IT systems involve large investment and require audit attention.</li> <li>Procurement is a vital part of system development.</li> <li>Procurement of IT systems involve consideration of several technical parameters and it has to be ensured that technical and financial considerations have been balanced.</li> <li>Since modifications are very expensive it is essential that in procurement of IT system, the government organisations follow general rules and procedures set out for procurement of major items. The specific additional points to be noticed in procurement are as follows :</li> </ol>

	<ul style="list-style-type: none"> <li>(a) Has the need for IT system been identified clearly and justified ?</li> <li>(b) Have the procurement proposals been approved by Competent authority ?</li> <li>(c) Does the statement of operational requirement specify clearly the IT strategy of the organisation, their future plans and what is expected of the IT system ?</li> <li>(d) Have the user requirements specification been met fully ?</li> <li>(e) Has due and adequate publicity been given to the invitation to tender for the system ?</li> <li>(f) In the case of high value contracts, whether prequalification of the tenderers was done to shortlist technically competent contractors for invitation to bid ?</li> <li>(g) Whether a two packet system of tendering ( one sealed packet containing technical bid and another containing general bid ) is adopted ?</li> <li>(h) The composition of tender committee and time taken to finalise the tenders.</li> <li>(i) Whether technical bids of two tenderers are evaluated on par and both are technically acceptable. Whether the contract has been awarded to the lower bidder ?</li> <li>(j) Whether legal advice has been taken before signing the contract ?</li> <li>(k) Where negotiations are held whether all the tenderers were given equal opportunity ?</li> </ul>
<b>10.08</b>	<b>Performance audit of IT systems</b>
	<p>Performance audit is concerned with assessing whether the auditee organisation is getting the best value for the money/ resources it invested in a particular project in terms of economy, efficiency and effectiveness.</p> <p>In the context of IT systems it involves</p> <ul style="list-style-type: none"> <li>(a) Setting up and maintenance of IT systems involving huge investment and sophisticated technology.</li> <li>(b) IT systems handle, strategy and critical information vital to the achievement of basic business objectives of the organisation.</li> </ul> <p>Performance audit of IT systems involve three stages, viz. survey, identifying evidence for poor performance and exploring reasons for poor performance.</p> <p><b>Survey</b></p> <p>A performance audit survey considers the following aspects :</p> <ul style="list-style-type: none"> <li>Materiality -- The subject should be significant in terms of cost.</li> <li>Topicality -- The subject should be of topical interest.</li> <li>Evidence -- There should be sufficient, reliable and relevant evidence to establish that there is a problem to be investigated.</li> <li>Results -- There should be scope for achieving improvement through audit observations.</li> </ul> <p>In order to identify topics that meet these criteria it is necessary to know the corporate objectives, organisations and resources.</p> <p>The indicators for poor performance are as follows :</p> <p><i>User dissatisfaction</i> -- If there is widespread user dissatisfaction, it indicates failure in involving users in the specification or acceptance of the system apart from inadequate training.</p> <p><i>Unreliable systems</i> -- Log may be reviewed to check the number of times the system failed.</p> <p><i>Poor integration</i> -- This refers to failure in integrating IT system with other information systems which may result in having to feed the information more than once or collate information manually.</p>

	<p><i>Cost overrun</i> -- Verify the budget records and check for variations.</p> <p><i>Time overrun</i> -- Verify minutes of project, Board meetings, and strategies covering the proposal, design, procurement and development of the system. If time schedules were fixed verify reason for delay.</p> <p><i>Abandoned projects</i> -- In respect of abandoned projects reasons for the same may be verified.</p> <p><i>Running Costs</i> -- High running costs, indicate high degree of maintenance, poor system design standards and inadequate user involvement in the development of the system apart from weakness in operational management.</p> <p><i>Dispute with suppliers</i> -- Examine the correspondence between the auditee and the suppliers and minutes of the meeting held with the suppliers. Check if the maintenance agreement specifies the nature of services to be provided and the quality of services.</p> <p>Some of the main reasons which could explain the failure of IT system are given below :</p> <ul style="list-style-type: none"> <li>(a) The auditee institution does not have a sound IT strategy which is linked to its corporate / business strategy.</li> <li>(b) Verify whether the organisation has not formulated and documented standards for project design and development.</li> <li>(c) User acceptance and training are crucial to the efficient use of the system. If the users are not involved in the development of the system and if the system is imposed on them it is likely to lead to user dissatisfaction and failure of the system.</li> <li>(d) Procurement should be done within a framework of procedure which would include competitive tendering, setting out user requirement, proposal evaluation criteria, schedule of deliveries service level agreements, agreements on ownership and copyright, etc.</li> <li>(e) Absence of a good project management may lead to poor performance of IT system.</li> <li>(f) Poor operation management will result in high running costs and poor reliability.</li> <li>(g) Business continuity plans should identify the activities which are critical to the auditee's business and provide for their continuation when the services that support them are disrupted.</li> </ul>
<b>10.09</b>	<b>Computer Aided Audit Techniques ( CAATS )</b>
	<p>Auditor can use Computer Aided Audit Techniques (CAATS) to obtain sufficient evidence to support his conclusions on the effectiveness of the controls. CAATS include a wide range of tools to automate the testing process. These can be used if there is a large volume of computerised data to work and they enable the auditor to have a greater level of assistance than a manual test can provide.</p> <p>CAATS can be used to test either system or data.</p> <p><b>System testing</b> includes program review and code comparison ( comparison of source code version of the program against a master copy ).</p> <p><b>Testing of data</b> includes file interrogation, and embedded audit code. File interrogation helps to read the auditee data files and carry out various analytical test.</p> <p><b>Embedded audit code</b> implies insertion of auditor's own program in the site of program of the auditee to examine the transactions passing through the system.</p> <p><b>Downloading of data</b> refers to transfer of data from auditee's computer to auditor's computer in a suitable format for the auditor to analyse using CAATS.</p>

***Interactive Data Extraction and Analysis ( IDEA )***. IDEA is a commonly used software for audit purpose.

On receipt of data from the auditee the auditor needs to import / link the data file into IDEA in his computer and conduct verification. IDEA enables the following analytical functions :

- Indexing
- Field stratification
- Key Field Summarisation
- Field statistics
- Aging
- Creation of virtual fields
- Duplicate key detection
- Gap detection
- Exception reporting
- Extraction of records satisfying specified criteria
- Sampling

<b>CHAPTER 11</b>	
<b>STATISTICAL SAMPLING</b>	
<b>11.01</b>	<p>Many jobs in audit department require answers to questions relating to a given population. To what extent the accounts compiled from initial vouchers give a true and fair picture of the finances of the Government ? What are the major persistent irregularities in a particular department and what is the probability of its occurrence based on past observations ? Answers to such questions are easy if the population size is small as all elements of the populations can be studied for the given attribute. However, we have never carried out nor is it possible to conduct a cent per cent check of all elements of a given population, which may be vouchers ( in case of accounts ) or a particular DDO ( in case of macro level integrated audit of a department-like education, police, etc ) or sanctions issued by various authorities of the government. Precise answers to such questions within an acceptable tolerance and with a given degree of confidence can be found using the methods of statistical sampling. The present method of selection of samples in our offices can be used with slight modifications for generalisation of results. It can be replaced with a more scientific method of selection of samples based on which audit comments can be made describing the population in the desired manner.</p>
<b>11.02</b>	<p>The audit has to express an opinion on the fairness with which they present the financial position and the results of operations or he has to give an opinion on the reliance of the determined adequacy of the internal control system of the auditee. This requires selection of a sample. An unscientifically selected sample does not lead us to any generalisation of finding and as such the opinion can be challenged.</p> <p>While statistical sampling is desirable as it would enhance the effectiveness of Audit, the feasibility of introducing statistical sampling in Audit work and the methodology for application in various areas has to be examined on field study in selected offices.</p> <p>Statistical sampling will require the following steps :</p> <ul style="list-style-type: none"> <li>(a) Determine an estimate of sample size</li> <li>(b) Determine the confidence level ; and</li> <li>(c) Determine the tolerance limits.</li> </ul> <p>It will give following advantages :</p> <ul style="list-style-type: none"> <li>(a) The sample result is objective and defensible.</li> <li>(b) Objective evaluation of a test result is possible.</li> <li>(c) The method provides a means of advance estimation of sample size on an objective basis.</li> <li>(d) The method provides for an estimate of sampling error.</li> <li>(e) It may give more accurate results than a 100% examination for large population size as failure to detect errors tend to increase if the population size is very large.</li> <li>(f) It saves time and money</li> <li>(g) It may be combined and evaluated even though accomplished by different auditors.</li> <li>(h) It helps in bringing the observations in sharp focus as these can be analysed for each type of auditee.</li> </ul>
<b>11.03</b>	<p>Local audit is planned for selected auditee units. The selection is based on various factors like availability of man power, audit sensitivity of various auditee units, budget allocation etc. Objections noticed during local audit are included in the Inspection Report which is issued to the concerned department. Serious objections ( more money value or serious nature of irregularity ) are included in audit reports. To take an example of the education department, if 200 primary schools are selected for audit in a given year, 200 Inspection Reports would be issued. These may contain objections of similar nature but no attempt is made to consolidate findings and issue a consolidated IR to the concerned department in addition to the Inspection Reports for each DDO.</p>
<b>11.04</b>	<p>In case of local audits, Audit will first have to evolve a standard list of objections found in different departments. The list will have to be department specific. Audit will have to be planned in a manner</p>



	<p>which permits use of this technique. Past data will have to be used to determine the standard deviation etc. The unit can be taken as DDO or district ( as we are talking of one department ).</p>
<b>11.05</b>	<p>Vouchers are numbered month wise and treasury wise. As such, if this technique is to be used during local audit, a way is to be found to number these vouchers serially which may enable sampling. One way is to use the bill register; do the selection from these and then get the concerned vouchers. Another way could be to feed all the voucher numbers in a computer and use Lotus or IDEA package to select the sample .</p> <p>[ No. 524-Trg.Div./19-97 dated 29-5-1997 of Principal Director ( Training ) ]</p>
<b>11.06</b>	<p>Statistical sampling in the context of audit checks, embrace distinct part.</p> <p>(i) The determination of sample size (ii) The manner of selection of sample for checking (iii) Evaluation of the results of checks</p>
<b>11.07</b>	<p>The past practice has been mostly to decide on sample size at 8.33% or 4.16% of the total population of auditable documents ( except for specified documents like contracts, vouchers above 0.1 lakh etc. where a higher percentage of 100% selection is made). The selection of sample is generally the vouchers for the month of March or an earlier month. But there is generally no evaluation of the results. The follow up on audit results has consisted only on remedial action by auditee on objections raised on the basis of the sample checked in audit. Audit view has been that it is for the auditee to generally reduce the future incidence of objections to nil.</p>
<b>11.08</b>	<p>The purpose of audit while checking the selected sample are many but include mainly</p> <p>(a) Checking the correct accounting of expenditure ( or receipt ) into accounts as per document audited ( including correct classification ). (b) Checking calculations of payment ( or assessment of receipts ) leading to the expenditure ( or receipts) audited. (c) Checking interpretation of application of rules or contract clauses ( or Tax Acts) leading to expenditure ( or receipt ). (d) Checking achievement of objective of expenditure ( or objective behind exemption of receipt due ) i.e. performance or value for money audit.</p> <p>( D.O. No. 48 - Audit ( OM &amp; M ) / 102 - 94 of Deputy Comptroller And Auditor General ).</p>
<b>11.09</b>	<p>As regards audit's role in detecting fraud and corruption; central audit should be made more purposeful and effective and statistical sampling techniques may be utilised for focusing on serious irregularities. Audit could also suggest streamlining of systems and procedures and insist on clear cut guidelines for exercise of discretion by the executive. The auditee agencies should be required to provide the audit team with a list of cases of fraud and presumptive fraud for the purpose of Audit Report.</p>
<b>11.10</b>	<p>As regards list of fraud and presumptive fraud, it is gathered that information on such cases in respect of audit units covered during local audit is generally obtained through questionnaire at the time of commencement of audit. However, the information may not be forthcoming for units not programmed / not taken up for audit during the year. Therefore, we should call for a list of cases of fraud and presumptive fraud from each Government Department for the purpose of Audit Report. The audit party at the start of local audit should also be asked to collect such list from the auditee organisation with a view to focusing attention on such cases in greater detail.</p> <p>[ C&amp;AG's Circular No. 7 of 1997 No. 433-Audit ( MOM) 224-97 dated 8-8-1997 ]</p>

## CHAPTER 12

## AUDIT OF EXPENDITURE IN EXCESS OF BUDGET ALLOTMENTS WITH SPECIAL MENTION TO THE ROLE OF FINANCE AND OTHER DEPARTMENTS

<b>12.01</b>	<p>The records of Finance Department relating to cash and funds flow, statements from RBI, budgeting, appropriation accounts, civil accounts and related records are to be examined in connection with the excess drawals.</p> <ol style="list-style-type: none"> <li>1. Excess drawal of a particular department should be watched meticulously especially when Government took overdrafts from Reserve Bank of India. It should be seen if the excess drawal by a particular department could be controlled by Government, overdraft would not have been necessary for the Government.</li> <li>2. It may be seen that the Chief Secretary drew the attention of all the Heads of Administrative Departments to the very difficult ways and means position and the fact that only Vote on Account was passed for the first four months. It may also be seen that instructions were issued on strict control of monthly expenditure within available budget provision, and cautioned them that they would be personally responsible for expenditure control. Some departmental officials might have disregarded these instructions and drawn large amount through contingent bills during April to July. Audit should make a note of this in the report.</li> <li>3. Unjustified increase in non-plan expenditure in a particular department (especially when non-plan expenditure of a department is not commensurate with the increase in the non-plan expenditure of the other Departments should be examined in audit in detail.</li> <li>4. It may be seen that whether the Budgetary and cash flow restrictions imposed by the Government were ignored by the Department and Treasuries.</li> <li>5. Whether the Finance Department was able to monitor the budgetary restrictions and enforce its own instructions from time to time regarding the passing of bills. Failure of Finance Department may be examined.</li> <li>6. It may be seen whether any fraudulent drawals due to irregular orders of Finance Department and expenditure under any scheme continue in spite of ban by Finance Department.</li> <li>7. Whether any analysis of cash drawal from selected major treasuries, as directed by higher authorities, was done to ascertain the cause of heavy drawal, if any, and initiate disciplinary action against the officers responsible for such heavy drawals.</li> <li>8. Whether the Chief Secretary or Finance Secretary instructed to investigate the reasons for excessive drawals on any particular occasion and those instructions were obeyed seriously by the Treasury Officers.</li> <li>9. Whether the excess drawal over the budget allotments belong to a particular department and if so, whether the reasons thereof have been analysed in detail.</li> <li>10. Whether the Civil Accounts prepared by Accountant General ( A &amp; E) have shown any excess expenditure under any separate head of account and the Finance Department has initiated any investigation on the excess expenditure.</li> <li>11. Whether the Finance Department bestowed proper attention on the monthly civil accounts of the Government, reflecting major head wise expenditure showing monthly and progressive expenditure. It may be seen whether the Finance Department utilised this as an important input in watching progress of expenditure against budget provision.</li> <li>12. The excess and shortfall in expenditure under various sub-heads and minor heads against each major head is worked out by Accountant General ( A &amp; E) and reported to the Administrative heads of Departments and Finance Department for their comments and explanation, before the finalisation of the Appropriation Accounts. It may be seen whether the opportunity was utilised by the Administrative Department and Finance department to find out whether there was expenditure in excess of allotments.</li> <li>13. The annual budget documents of Government include information about actual expenditure of previous years. It may be seen whether the Finance Department made use of the comparison of</li> </ol>
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	<p>budget provision vis-à-vis the actual expenditure of any particular Department.</p> <ol style="list-style-type: none"> <li>14. It may also be seen whether the Finance Department could make use of the details available with the annexure of the Memorandum for the Finance Commission to check any excessive expenditure than what is provided in the Budget.</li> <li>15. Audit should see that proper action has been taken by the Government on Appropriation Accounts submitted by the Accountant General.</li> <li>16. Audit should see whether Government did investigate irregular or fraudulent claims reported in Comptroller and Auditor General's reports. If not, reason for not initiating investigative procedure should be commented.</li> <li>17. It may be seen whether there is any failure on the part of the Finance Department while examining the Budget Estimates of any particular Department. Audit may verify whether the Finance Department accepted Budget proposals without figures of actual expenditure. The Budget estimates of any department can be modified only after discussion with the Department or after issuance of Budget slips. Audit should see whether this procedure has been followed without fail.</li> <li>18. It may be seen in audit whether the Budget estimates of any department is approved by the authority competent enough to do it. It may also be seen whether re-appropriations were approved by officers authorised to do the same.</li> <li>19. Chronic delay on the part of treasuries in rendition of accounts would cause delay in the finalisation of Annual Appropriation Accounts. Audit should mention the actual delay in the rendition of accounts by each treasury.</li> <li>20. It may be seen in audit whether procedure contained in Article 267(2) of Constitution of India, regarding drawals from Contingency fund and meticulously followed.</li> <li>21. Failure on the part of Treasury Officers should be highlighted in the reports with special emphasis on the following : <ol style="list-style-type: none"> <li>a) Whether the Treasury Officer overlooked that improper bill forms were presented and got passed.</li> <li>b) The bills were signed by the D.D.O.s.</li> <li>c) The Treasury Officers were actually obeying the instruction / direction issued by Finance Department from time to time.</li> <li>d) The Allotment figures noted in the bills by D.D.O.s were checked by the Treasury Officers. It may be seen whether Treasury Officers abdicated their responsibility in checking the consistency or otherwise in the allotments noted in the bills. Ensure that the Treasury Officer maintains the 'Appropriation Control Register' prescribed in KBM Rule 67.</li> <li>e) Audit should see whether there is abnormal and huge payments on one day or during a given short period which would normally warrant special attention and further investigation.</li> <li>f) Audit should invariably ascertain the arithmetical accuracy in all such bills.</li> <li>g) As mentioned earlier in this chapter, the delay in the rendition of accounts should also be specified.</li> </ol> </li> </ol>
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**CHAPTER 13**

**Accounts of various departments**

Apart from the general checks prescribed in the Chapter 4 , special records, points etc have to be checked in some departments. Those are mentioned department-wise.

<b>13.01</b>	<p><b>Agriculture Department</b></p> <p>The Agriculture Department is headed by the Director of Agriculture. He is the chief implementing officer of the schemes in the department. There are Principal Agricultural Officers ( Jt. Director ) at the district level and Asst. Directors of Agriculture at Block Level and Agricultural Officers at Panchayath level in Krishi Bhavans. Other institutions are farms, laboratories, Farm Information Bureaus and Engineering Units. The activities of the department are concentrated in the cultivation of high yielding varieties of crops and adopting of improved cultivation techniques. The department is giving loans / grants to cultivation and imparting knowledge of the modern methods of cultivation. Soil conservation is also attended to by the department under an Additional Director. The local audit staff should before commencement of audit make themselves conversant with the instructions in the Manuals / circulars issued by the department and Government from time to time.</p> <p>The party should particularly see :</p> <ol style="list-style-type: none"> <li>1. the accounts of procurement and sale of seeds, seedlings, manures, pesticides etc. and review the procedures</li> <li>2. the accounts of short term loans. Reason for the pendency in recovery should be investigated and commented in the Inspection Report.</li> <li>3. Accounts of subsidies of various kinds should be checked.</li> </ol> <p>In the case of farms ( State Seed Farms, District Agricultural Farm and other farms), the following records should also be checked :</p> <ol style="list-style-type: none"> <li>1. Property Register</li> <li>2. Tree Register</li> <li>3. Cultivators Sheets.</li> <li>4. Muster Rolls</li> <li>5. Stock Book of Produces</li> <li>6. Sales Register</li> <li>7. Free Transfer Bills</li> <li>8. Register of Manure and Pesticides</li> <li>9. Accounts of fruit preservation units.</li> </ol> <p>The soil conservation unit consists of two wings :</p> <ul style="list-style-type: none"> <li>• Soil Conservation and</li> <li>• Soil Survey</li> </ul> <p>The following schemes are implemented by the wings :</p> <ol style="list-style-type: none"> <li>1. Soil conservation on water sheds ( RIDF)</li> <li>2. River valley project (Kabani)</li> <li>3. National Watershed Development Project for Rainfed Areas ( NWDPR).</li> <li>4. Protection of catchments of reservoirs of water Supply Scheme</li> <li>5. Stabilisation of landless areas</li> </ol>
<b>13.02</b>	<p><b>Animal Husbandry Department</b></p> <p>The Animal Husbandry Department is headed by the Director of Animal Husbandry. The main institutions under the department are Veterinary Dispensaries, Veterinary Hospitals, Veterinary Polyclinics, Intensive Cattle Development Projects, Regional Artificial Insemination Centres, District</p>

	<p>Livestock Farms, Regional Poultry Farms etc.</p> <p>Each Veterinary Dispensary / hospital / polyclinic is under the charge of a Veterinary Surgeon. District Veterinary Centre is holding the district level supervision charge. The audit is done with reference to the rules regarding admission of inpatient, feeding fee for admission, treatment, operation, ambulance charges etc as laid down by the department.</p> <p>Farms of various types are maintained by the department with the object of producing pedigree cattle by the process of selective breeding and grading up of stock. The farm under the department consist of the following: Dairy, Cattle, poultry, sheep, buffalo, Goat, pig, pasture and gardens etc. While auditing the farm accounts, the following special points may be looked into :</p> <ol style="list-style-type: none"> <li>1. Whether the actual performance is as per the action plan / forecast for the year.</li> <li>2. Whether there was hindrance for breeding operation. If so, the reason there of.</li> <li>3. Whether the average insemination index compare to the norm prescribed.</li> <li>4. Whether there was decline in conception rate of cases inseminated.</li> <li>5. Whether there was increase in mortality of stock.</li> <li>6. Whether the disposal of useless animals has been done.</li> <li>7. Whether the amount fetched for the sale of animals is not less than the minimum fixed by the department.</li> <li>8. That the livestock valued at the beginning of the year and noted in the Animal Valuation Register</li> <li>9. That the yield of milk / egg etc. have been recorded.</li> <li>10. That the farm produce has been properly accounted for.</li> <li>11. It should be examined whether the purpose for which the farm and other institution have been launched have been achieved.</li> </ol>
13.03	<p><b>Civil Supplies Department</b></p> <p>The Civil Supplies Department is dealing with the maintenance of public distribution system in the State. Printing and distribution of ration cards, distribution of ration articles, issue of licence to ration depots etc are the duties of the department. The Head of the Department is the Commissioner of Civil Supplies Thiruvananthapuram. The Dt. Supplies Officer is in charge of the district whereas the Taluk Supply Officer/City Rationing Officer is in charge of the taluks/Corporations.</p> <p>It should be seen in local audit that:</p> <ol style="list-style-type: none"> <li>(i) The AWDs and ARDs are properly linked</li> <li>(ii) The AWDs are linked to the nearest FCI Depot</li> <li>(iii) The AWDs and ARDs are inspected by the officers responsible</li> <li>(iv) Proper action has been taken to freeze ration articles of substandard quality</li> </ol> <p>The following registers are to be maintained in TSO /CRO offices.</p> <ol style="list-style-type: none"> <li>(i) Register of price fixation, (ii) Food grain Distribution Register, (iii)Off-take Register (iv)Dealers account (v). Register of differential costs (vi) Punishment Register, (vii) Indent Register (viii)Register of seized paddy/rice (ix) Register for watching issues to permit holders (x). Kerosene Register (xi) Register of ration cards, permits, polythene bags (xii) Register of licences.</li> </ol> <p>The audit party should go through the latest orders/circulars issued by the Government and the Head of Department and be conversant with the procedures and comment on the irregularities if any noticed in audit</p>
13.04	<p><b>Collectorates</b></p> <p>Collectors are responsible in the matters of revenue administration of the districts. Besides, they attend to the work connected with collection of state development loans, housing loans, and revenue due to other departments, relief measures, relief to victims of natural calamities, various</p>

	<p>development activities and welfare schemes, land acquisition, land reform, control of essential commodities, government litigation, Family Planning Scheme, general law and order, National Savings Scheme, Election etc. The Collector is under the administrative control of Commissioner of Land Revenue.</p> <p>Audit should put special attention to the working of the schemes for the implementation of which the collector is responsible. Various points to be borne in mind while auditing accounts of schemes are given below :</p> <ol style="list-style-type: none"> <li>1. the details of the scheme implemented through the collector should be listed out,</li> <li>2. funds allotted to each scheme must be ascertained,</li> <li>3. amount drawn by the Collector under each scheme should be ascertained,</li> <li>4. whether the amount drawn under the each scheme has been utilised for the purpose for which it was sanctioned.</li> <li>5. In case the scheme is not implemented and the funds drawn for the purpose are partly / wholly unutilised, the extent of amount lying unutilised.</li> <li>6. Usually the funds drawn for various schemes are kept in separate PD Account / TP Account with the Treasury. It should be seen whether sanction exists for the depositing the funds in such accounts.</li> <li>7. Whether there was any drawal of funds from treasury mainly to avoid lapse of funds.</li> <li>8. PD Account should be verified to see whether the amount drawn of various schemes are accounted separately.</li> <li>9. Expenditure under various schemes should also be accounted separately. The balance amount under each head should be worked out and it has to be verified whether it agrees with the balance in the PD account.</li> <li>10. Funds should not be kept unutilised for long periods. If so instruction should be given to refund the same to Government account.</li> <li>11. Whether there was any diversion of funds. It is to be seen whether funds allotted for flood relief works are not utilised for the purposes like purchase of an Ambassador car etc.</li> <li>12. Whether the utilisation of the grants and loans are being properly watched in the Collectorate.</li> <li>13. Whether prompt action is being taken in the cases of misclassification of grant and non-recovery of loans.</li> </ol> <p>( OA(HQ)I.GI/4-1/93-94 Circular No. 4-11-1993 ).</p> <p>Government of India, have revised the guidelines on MPLAD, with effect from 16-11-2005, according to which the audit of MPLAD accounts is to be done by the Chartered Accounts nominated by the Accountant General ( Vide Govt of Kerala letter No.13473/COM V 1/05 /Plg Dated 19-1-2006)</p> <p>The Collector maintains PD/ SB accounts with Treasury / Bank for accounting transactions relating to the various functions assigned to him such as State Film Award Night, dues of dependents of deceased persons received from foreign countries., uniform to children, solatium fund in motor accident cases, Chief Minister's distress relief Fund, drought/flood relief works, Tourism week celebration etc.</p>
13.05	<p><b>Community Development Department</b></p> <p>Under the scheme of community development, the Block Development Officer is the implementing officer. The transactions relating to stores and stock, grant and loan and schemes and works should receive special attention in local audit. The main records to be seen in audit are the following :</p> <ol style="list-style-type: none"> <li>1. Stores and Stock accounts.</li> <li>2. Register of applications for loans.</li> <li>3. Loan Register.</li> <li>4. Register of demands of principal and interest due</li> <li>5. Register of monthly reconciliation of payment received on account of loans.</li> <li>6. Register of grant in aid.</li> </ol>

	<ol style="list-style-type: none"> <li>7. Register showing details of schemes / works</li> <li>8. Block Control Register.</li> <li>9. Disbursing Officer's Register of Expenditure and Liabilities.</li> <li>10. Liability Register.</li> <li>11. Classified accounts of expenditure and schematic Budget heads</li> <li>12. Accounts of Extension Officer / Village Extension Officer.</li> </ol> <p>The audit is conducted with reference to the instructions contained in Hand Book issued by the department and financial rules and orders issued by Government from time to time. Special attention should be given to see whether :</p> <ol style="list-style-type: none"> <li>1. the Schemes / works are taken up only after sanction of competent authority</li> <li>2. Local</li> <li>3. financial result of the scheme i.e. no loss - no profit has been watched.</li> <li>4. grants in aid has been given as per rules.</li> <li>5. the works executed under CD programme are as per rules.</li> <li>6. loans have been disbursed after observing the procedure.</li> <li>7. the accounts of Extension Officers and Village Extension officers are kept in order.</li> <li>8. schemes under IRDP and NREP are executed as per the guidelines issued therefor.</li> </ol>
13.06	<p><b>Co-operation Department</b></p> <p>The statutory functions of the Department of Co-operation are audit, arbitration, execution and liquidation of Co-operative Societies in the state. In addition, the department is charged with the responsibility of promoting development and regulation of co-operatives. In the case of industrial Co-operative societies, milk supply societies, Khadi and village societies, fisheries societies, cotton and handloom societies, the responsibilities of the Department is limited to auditing.</p> <p>The department is headed by Registrar of Co-op. Societies. There are Joint Registrars of Co-operative Societies ( General ) and Joint Registrar of Co-operative Societies ( Audit) at district level and Asst. Registrar of Co-operative Societies ( General) and Asst. Registrar of Co-operative Societies ( Audit) at Taluk level, the Co-operative Training Centres and Co-operative Colleges.</p> <p>In auditing the accounts of loan and other assistance to various co-operative societies, it should be seen in audit that :</p> <ol style="list-style-type: none"> <li>1. Loan amount are not in advance kept under suspense account waiting for completion of formalities</li> <li>2. Delay in drawing financial assistance and distribution to societies</li> <li>3. Assessment of actual functioning of the societies receiving financial assistance</li> <li>4. Defalcation cases already noticed.</li> <li>5. Account of investment of share capital by Government.</li> </ol> <p>A general scrutiny of the guarantees given by the Government on behalf of co-operatives towards loans etc. raised by the latter, should be done and commented.</p> <p>The main revenue of the department is audit fee, average cost, execution fee, dividends etc. It should be seen in audit whether demands are correctly raised and promptly recovered.</p>
13.07	<p><b>E.S.I. Medical Services.</b></p> <p>The E.S.I Medical Services Scheme is governed by the Kerala Employees State Insurance (Medical Benefits) Act 1959. The State Government under the agreement with the Employees State Insurance Corporation has to provide for medical treatment of the insured persons and their families. The expenditure shall be shared between the Corporation and the State Government in the ratio of 7:1. For Implementing the scheme, there is an Insurance Medical Directorate at Thiruvananthapuram and under him there are ESI dispensaries and hospitals in the districts. There are full time, part time, mobile and panel dispensaries. Two systems of treatment are in vogue viz.</p>



	<p>(i) Service system under which treatment is given in ESI hospital and ESI dispensaries</p> <p>(ii) Panel system under which treatment is given in the clinic of private medical practitioners.</p> <p>The object of local audit is to check the initial accounts maintained in the dispensaries and hospitals and check the statement of accounts for the recovery of cost from the Corporation with reference to the statement received from the dispensaries and hospitals and the accounts in the Directorate.</p> <p>In addition to the checks prescribed in Chapter 4 of this Manual, the accounts to be checked in the ESI Dispensaries should include medical records of insured persons allotted to the dispensaries and hospitals like Index Card, Exit Card, Re-entry card etc.</p> <p>In the Directorate, the following records are to be checked in audit:-</p> <p>(i) Disbursing officers Register,  (ii) Issue Notes,  (iii) Statement of claims,  (iv) Register of adjustments,  (v) Register of recoveries,  (vi) Capitation payment to Medical Practitioners</p>
13.08	<p><b>Fisheries Department</b></p> <p>The Fisheries Department works under the Director of Fisheries. There are Deputy Directors of Fisheries at district level. The activities of the Department include</p> <p>a) Inland Fisheries Programmes  b) Marine Fisheries Programmes  c) Other socio-economic schemes.</p> <p>The local audit party should examine the schemes implemented by the department and bring out any defective functioning of the Schemes besides other irregularities in general. Main schemes are :</p> <p>a) Reservoir Fisheries.  b) Mechanisation of fisheries boats.  c) Ice Plants and cold storages.  d) Fishermen Welfare Societies.  e) Agricultural Refinance and Development Corporation ( ARDC) Scheme  f) Rehabilitation of fishermen and subsidies for housing scheme.  g) Insurance Scheme to sea going fishermen.  h) Supply of fishing requisites.  i) Training programmes.  j) Setting up of Fisheries Schools.</p> <p>The department has some boat building yards and repair and service stations. It should be seen in audit whether the yards are utilised to the full capacity. Under-utilisation should be probed and commented.</p>
13.09	<p><b>Health Services Department</b></p> <p>The Health Services Department performs the function of delivery of primary health care in a wholesome manner and the attainment of preventive family welfare including maternal and child health care. The department works under the Director of Health Services. There are District Medical Officer at district level. The health care services are imparted through Dt. Hospitals, Community Health Centres , Primary Health Centres and Government Dispensaries.</p> <p>Apart from the usual checks prescribed in Chapter-4, the following records should be checked while auditing the accounts of government hospitals.</p>

	<p>(i) Nominal Register of Inpatients, Register of fees charged for major operations and confinement, Register of fees charged for costly drugs, Register of hospital stoppages, Register of recovery of dietary charges.</p> <p>(ii) Nominal Register of Radiographic and ECG treatment etc. -Register of paying patients.</p> <p>(iii) Register of anti-rabies treatment, Register of sale of medicines</p> <p>(iv) Patients property Register</p> <p>(v) Register of Ambulance and log book,</p> <p>(vi) Stock book of provision(diet articles)</p> <p>(vii) Stock book of linen</p> <p>(viii) Stock book of drugs and medicines</p> <p>(ix) Stock book surgical instruments.</p> <p>(x) Dhobi account</p> <p>(xi) Register relating to daily expenditure of dietary articles.</p> <p>(xii) Register of samples diet articles sent to Public Analyst.</p> <p>The latest orders /circulars issued by the DHS for the maintenance of hospitals and up-keep of accounts should be gone through before the audit of hospitals is taken up and irregularities commented in the inspection report.</p> <p><i>Hospital Development Committees.</i></p> <p>The audit of Hospital Development Committees should be taken up along with the audit of the hospitals where such committees are constituted. It should be seen in audit :-</p> <p>(i) whether the rules and procedures are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed and to make for this purpose such examination of the accounts and report thereon. It should be verified in audit that sums recovered/received are duly brought to credit in the accounts. The most important function is to see that the procedures framed for collection has been observed and collection made accordingly and accounted for properly. Verification of receipt books, stock register of receipt books, subsidiary cash book, vouchers etc. in support of proper utilisation of funds should be done carefully and appropriate comments included in the Inspection Report</p> <p>(ii) As the funds are meant for improvements of the institutions concerned, how far this objective has been achieved with reference to the short falls may also be commented. It should also be seen that any amount paid as advance for improving the facilities have been adjusted subsequently on acquiring these facilities and if not, outstanding under the advances watched properly. (OA Circular No 19 dated 18-5-1994)</p> <p>In the case of mental hospitals the following registers should also be checked:</p> <ol style="list-style-type: none"> <li>1. Stock Register of raw materials for manufacture.</li> <li>2. Stock Register of manufactured articles.</li> <li>3. Register of livestock, tools and plants etc.</li> </ol>
<b>13.10</b>	<p><b>Industrial Training Institutes.</b></p> <p>The training institutes are established with the approval of Government of India. The Director of Employment and Training is in the administrative control of the institutions. The audit party should go through the details of the scheme as approved by the Government of India before audit is taken up. It should be seen in local audit that the limits fixed by the Government of India for items of expenditure are not exceeded and that initial accounts are kept properly. The main records to be seen in audit are Stipends, Training fees, Workshop Clothing, Monthly accounts, Expenditure Analysis Register, Stores Order Forms, Guard File for Bills, Stock Book of Raw Materials and stores, Stores Requisition Book, Stores Return Book, Manufactured Goods Return Book, Manufactured Goods Stock Book, Register of Recovery of Tools Lost by Trainees etc.</p>
<b>13.11</b>	<b>Jail Department</b>

	<p>The department is headed by the Additional Director General of Police(Prisons), Thiruvananthapuram. Following are the institutions functioning in this department:-</p> <ol style="list-style-type: none"> <li>(i) Central Prisons</li> <li>(ii) Sub Jails</li> <li>(iii) Certified Schools</li> <li>(iv) Open Prison Nettukaltheri.</li> </ol> <p>The Central prisons are divided into two departments viz. General or Maintenance Department and Manufactory Department. In Thiruvananthapuram Central Prison there is Hospital Department also.</p> <p>Main records to be seen in Maintenance Department are Stock book of rations, Clothing and Bedding Register , Register of Warders Uniform Received and Issued, Convict Register and Register of Under-trial Prisoners, Register of Civil Prisoners, Labour Register, Remission Sheets, Rice outturn Register, Prisoners Property Register, etc.</p> <p>Main records to be seen in the Manufactory Department are Stock Register of Raw Materials, Indents, Stock Book of Manufactured articles, Day Book of Sales, Individual and Credit Sales, Day Book of Receipts, Register of Orders for execution and work orders, Register of inter or intra departmental supplies, Register of manufactory plants and equipments, Gate Passes, Statement of Profit and Loss, Register of damaged articles, Register of Bye Products etc.</p> <p>In the case of Open Prison Nettukaltheri, the accounts of Rubber Plantations which has been declared as a commercial venture as per GO(MS)/No.104/82/Home dated 10-8-82 have to be checked by the local audit Party. The Proforma accounts prepared are to be checked as per instructions relating to Proforma accounts in Para 4-33 of this Manual.</p>
13.12	<p><b>Land Acquisition Offices</b></p> <p>Land acquisition offices deal with the acquisition of land required for public purpose under the provisions of Land Acquisition Act 1961 as amended by the LA(Amendment) Act 1984. The main records to be verified in the local audit are the following:-</p> <ol style="list-style-type: none"> <li>(i) Forms of acquisition of land (Form 2)</li> <li>(ii) Land awards (Form 9)</li> <li>(iii) Award Register(Form 22)</li> <li>(iv) Land Award Statements(Form A, B, C)</li> <li>(v) Stock Register of Form D</li> <li>(vi) Register of cheques paid</li> <li>(vii) Return of land acquired (Form 11)</li> <li>(viii) Special Register for acquisition of land for public purposes.</li> <li>(ix) Statement of pending LA cases</li> <li>(x) Statement of compensation in other forms</li> <li>(xi) Register of LA suits.</li> </ol> <p>The audit party should check whether the procedure for acquisition of land as per the LA Act has been followed in the acquisition of land. The following points should be examined in local audit.</p> <ol style="list-style-type: none"> <li>(a) Compensation payable has been properly fixed and interest paid.</li> <li>(b) Where advance possession is taken whether circumstances warrant it</li> <li>(c) Lapse of LA proceedings and payment of interest.</li> <li>(d) Collection of compensation from parties within 3 weeks of declaration when the land is taken for private parties, local bodies and autonomous bodies</li> <li>(e) Recovery effected from a private party/LB/AB if separate LA statement is created for acquisition of land for them.</li> <li>(f) Payment of compensation is made only through Form D cheque</li> <li>(g) Refunds of compensation</li> <li>(h) Form 'F'</li> <li>(i) Total of compensation tallies with the total of value statement,</li> </ol>

	(j) When advance compensation is paid whether the amount has been adjusted at the time of final payment.
<b>13.13</b>	<p><b>Medical Colleges</b></p> <p>The Medical colleges in the State are working under the administrative control of the Director of Medical Education Thiruvananthapuram. Special attention has to be paid to the checking of receipts and stores and stock accounts. In addition to the general checks contemplated in Chapter 4, following points may also be looked into :-</p> <p>(i) Whether proper DCB Statements have been prepared in respect of Fees  (ii) Whether Amount due as per Nominal Register is realised,  (iii) Whether Notes of concession is recorded in the Nominal Register,  (iv) Whether Refunds of fees collected are made on proper vouchers and authority,  (v) Whether exemption of the payment of fees are supported by orders of competent authority,  (vi) Whether fees collected are remitted into treasury on the same day or without delay,</p> <p>The local audit party should also verify the Van Accounts, Register of Quarters/Rent, and Canteen Accounts.</p>
<b>13.14</b>	<p><b>National Cadet Corps(NCC) Department</b></p> <p>The National Cadet Corps and Auxiliary Cadet Corps are functioning under the NCC Act 1958 and the Rules made thereunder. The Corps is financed jointly by the Union and State governments. The expenditure on equipment (which include arms and ammunitions but exclude clothing) and pay and allowances of Service personal is borne by the Defence estimate of the Union Government.</p> <p>The NCC/ACC units in the State are functioning under the Director of NCC(Kerala &amp; Lakshadweep) at Thiruvananthapuram. The Local audit consists of a general examination of the initial accounts relating to the expenditure met from the state funds including the Registers and records relating to refreshments, washing allowance training and amenity grants, and accounts of stores and stock, Peace Equipment Tables, and Modal Budget of the Units.</p> <p>In the case of camp accounts, it should be seen in addition to the usual checks, that the accounts procedure followed is in order and that the balance of articles after close of the camp is disposed of to the best advantage and sale proceeds credited to camp account. It should also be seen that the advance drawn for the camp have been finally adjusted.</p> <p>It has been decided that the audit of the accounts of all types of combined camp of NCC should be audited by the Accountant General of the State in whose jurisdiction the annual camp is held soon after the termination of the camps and an audited statement indicating the share of each participating units should be issued by him  (CAG's letter No. 1382-AdmnI/649-56 dated 30-5-1957)</p> <p>The local audit party should verify the correctness of the camp accounts in all respects and a certificate to that effect recorded on the same under the signature of the Supervising Officer or in his absence by the AAO/SO of the party. The form of Certificate is given below:</p> <p style="text-align: center;"><u>CERTIFICATE</u></p> <p>Certified that the accounts containing the Statement of Expenditure amounting to Rs..... (Rupees in words) out of amount drawn Rs..... (Rupees in words) pertaining to the..... camp conducted at ..... from ..... to ..... exhibit a true and fair view of the transactions with reference to the relevant records submitted to audit and subject to the remarks made in the Inspection Report.</p> <p>Place Date</p> <p style="text-align: right;">Audit Officer.</p>
<b>13.15</b>	<b>Printing Department</b>

	<p>The Printing Department functions under the Director of Printing. Major institutions under the department are Government Central Press, Central Prison Press, Govt. Presses and Stamp Manufactory and Govt Form Stores. The Presses carry out the printing of various matters for the use of government . Printing works of quasi government institutions is also undertaken on payment basis . The department is entrusted with the issue of certificates on the admissibility of claims on account of printing work on behalf of Government Departments at private Presses. The audit of accounts involves the following items of work peculiar to Presses:-</p> <ul style="list-style-type: none"> <li>(i) System of cost accounting,</li> <li>(ii) Overtime and attendance audit,</li> <li>(iii) Price audit, Audit of expenditure in connection with outside printing work.</li> <li>(iv) Audit of Annual accounts of Presses including Proforma, Depreciation and Reserve Fund Accounts.</li> </ul> <p>Main Records to be checked in audit are:- Register of claims to be adjusted, Government Gazette Accounts, Accounts of Periodicals, Publications, Advertisement and Notifications, Work Orders, Store Accounts, Paper Accounts, Outturn accounts, Bonus Accounts, Overtime accounts, Arrangement of printing etc in Private Presses.</p> <p>In Stamp Manufactory, Thiruvananthapuram, in addition to the printing works, embossing of stamps is also done on the advice of Central Stamp Depot Thiruvananthapuram. On receipt of request along with the supporting chalans from Central Stamp Depot, embossing is done on the document for the amount mentioned in the chalans. Records to checked specially are Register of Private documents and Issue Register.</p>
13.16	<p><b>Scheduled Caste Development Department</b></p> <p>The department deals with matters relating to scheduled castes and backward communities. The head of the department is the Director of Scheduled Caste Development, Thiruvananthapuram. There are District SC Development Officers at district level and SC Development Officers at Block level.</p> <p>The main activities of the department include:-</p> <ul style="list-style-type: none"> <li>(i) Grant of educational concessions.</li> <li>(ii) Providing hostel accommodation to the SC students.</li> <li>(iii) Starting nursery schools for SC children.</li> <li>(iv) Maintenance of training centres of various trades.</li> <li>(v) Providing grants to technically qualified hands for starting practice.</li> <li>(vi) Payments of grants for purchase of agricultural implements.</li> <li>(vii) Payment of interest-free loan to SC members to start small scale industries.</li> </ul> <p>While auditing the Industrial Training Centres, raw material account, individual ledgers, order books, stock book of finished articles, sales cash book, work slips, cash sale memos , indent for raw materials etc should be verified.</p>
13.17	<p><b>Scheduled Tribe Development Department</b></p> <p>The department deals with the welfare of Scheduled Tribes in the State and the working is similar to the SC Development Department. The department is headed by a Director and there are Tribal Development Officers/Tribal Extension Officers under him. . The audit checks are similar to those in the case of SC Development Department.</p>

**CHAPTER 14**

**PAYMENT OF PENSIONS TO CENTRAL AND STATE GOVERNMENT PENSIONERS  
AND OTHER CENTRAL TRANSACTIONS CARRIED OUT BY PUBLIC SECTOR BANKS**

<b>14.01</b>	<p><b>Audit of Central pensions</b></p> <p>(i) The scheme for payment of pensions to Central Government pensioners ( including pensioners of the department of Defence and Railways) by public sector banks was introduced by Government of India in stages from the 1<sup>st</sup> of July, 1976. For this purpose a list of public sector banks has been prepared and approved by Government of India. The overall supervision and co-ordination of this work at the district level is carried out by the nominated branches of the approved public Sector Banks designated as Link Branch.</p> <p>The authority issuing the Pension Payment Order will indicate in it the particular branch of the public sector bank from which the pensioner has opted to draw the pension. He will forward through the Treasury Officer concerned both the halves of the Pension Payment Order to the Branch of the Public Sector Bank through the link branch of the Bank. The pensioner on receipt of the intimation from the paying branch of the Bank should appear in person and produce before the Bank the personal copy of the letter issued by the A.G( A &amp; E) forwarding the Pension Payment Order to the Treasury Officer and furnish, an undertaking for refund of amounts if any overpaid etc. The paying Bank will credit the pensioner's individual savings/current account pension including dearness relief sanctioned by Government of India from time to time. Payment of pension including family pension is automatic and no bill is required to be presented.</p> <p>(ii) During local audit of pension payments made by the Bank, among other things it should be seen that :</p> <ol style="list-style-type: none"> <li>a) Income Tax is deducted at source wherever required and certificate of tax deduction issued in April each year.</li> <li>b) In case of the death of the pensioner, payment is made only upto and including the day of death of the pensioner.</li> <li>c) Payment of lifetime arrears of pension is made only to the legal heirs of the deceased pensioner.</li> <li>d) No amendment or change in the rates of pension is made except on proper authority.</li> <li>e) Life Certificate, certificate of non-employment / non-marriage/ re-marriage have been obtained where required.</li> <li>f) Classification of pension has been made correctly.</li> <li>g) Family pension at lower rate is enforced from the date mentioned in the pension payment order.</li> <li>h) Commuted portion of pension is deducted from the original amount of pension while making monthly payments.</li> </ol>
<b>14.02</b>	<p><b>Audit of State Pensions</b></p> <p>A scheme for the payment of pensions to State Government civil pensioners and All India Service Officers who retired from a post under the State Government and those who were borne on the State cadre and retired from posts under the Central Government from 1<sup>st</sup> October, 1982 onwards and family pensioners, through the under mentioned Public Sector Banks was introduced in the State of Kerala with effect from 1<sup>st</sup> September, 1984.</p> <p>( G.O. (P) 290/84/Fin. dated 11-6-1984 ).</p> <ol style="list-style-type: none"> <li>a) State Bank of India</li> <li>b) State Bank of Travancore</li> <li>c) Canara Bank</li> <li>d) Syndicate Bank</li> <li>e) Union Bank of India</li> </ol>



	<p>f) Central Bank of India g) Bank of Baroda h) Bank of India i) India Overseas Bank j) Punjab National Bank</p> <p>The existing State civil pensioners and All India Service Officers who retired from a post under the State Government and All India Service Officers borne on the State cadre but who retired from posts under the Central Government on or after 1<sup>st</sup> October 1982 and family pensioners drawing their pension from treasuries in the state and future pensioners of these categories can opt to draw their pensions from any branch of the aforesaid public sector banks selected by them. The overall supervision and co-ordination of the work connected with the disbursement of pension and its accounting at the district level is carried out by the nominated branches of the above mentioned public sector banks designated as Link Branch.</p> <p>At the time of authorisation of pension to a retired person the Accountant General(A&amp;E) will issue the Pension Payment Order to the District Treasury Officer mentioning in the Pension Payment Order the particular branch of the selected public sector bank from which the pensioner has opted to draw the pension. Both halves of the Pension Payment Order will be forwarded by the District Treasury Officer to the link branch of that public sector bank. The link branch will forward the documents to the particular paying branch of the public sector bank specified in the Pension Payment Order and endorses a copy of the letter to the pensioner.</p> <p>The paying branch after the receipt of the documents shall address the pensioner through a letter to appear at the branch along with the personal copy of the letter issued by the Accountant General forwarding his/her Pension Payment Order to the Treasury Officer, non-employment undertaking, undertaking for refund of excess amounts ( if any) paid etc. On the first appearance of the pensioner at the paying branch, the designated officer of the Bank has to satisfy himself about the identity of the pensioner and obtain the pensioner's specimen signature / thumb impression and the documents called for before commencing payment of pension. The pension after deduction of income tax will be paid by the paying branch by credit to the savings/ current account of the pensioner with the paying branch. On receipt of payment authority, the paying branch will also make payment of Death-cum-retirement Gratuity/ commuted value of pension by crediting the amount to the account of the pensioner. The paying branch will credit the pensioner's account the net amount of the pension payable for a month on the first working day of the same month and if in exceptional cases the pension could not be credited on the first working day it should be ensured by the bank that it is credited as soon thereafter as possible. The paying branch is responsible for the deduction of the income tax at source from the pension payments and issue to the pensioner in April every year, a certificate of tax deducted in the form prescribed in the Income Tax Rules. Any enhancement in the quantum of relief sanctioned by the State Government will also be paid by the Bank following the directions issued by the Accountant General ( A &amp; E).</p> <p>In the case of pensioners drawing their pension through public sector banks, payment of family pension at the rate indicated in the Pension Payment Order will be commenced by the paying branch from the first of the month immediately following the month in which the pensioner died, and receipt from the applicant the death certificate, the prescribed application for grant of family pension, the undertaking for refund of excess amount ( if any ) overpaid, and after verification of the identity of the person entitled to family pension.</p> <p>Local audit of state pensions paid through public sector banks is to be conducted in the same manner as in the case of audit of Central pensions and the checks mentioned above for the audit of Central pensions have to be exercised in the audit of State pensions also. However, in the case of State pensions, it should be seen that payment is made only upto and including the month of the death of the pensioner.</p>
<b>14.03</b>	<p><b>Audit of other Central transactions</b></p> <p>The local audit party should also audit other central transactions relating to 'Public Provident Fund', ' Compulsory Deposit Scheme', 'Special Deposit Scheme' etc. maintained in the bank audited and</p>



	satisfy itself that these transactions are in order.
<b>14.04</b>	<p><b>Issue of Inspection Report</b></p> <p>a) During local audit of the branch of the public sector bank, the omissions, defects and other irregularities noticed in regard to payment of pensions ( Central pension and state pension ) and other Central transactions should be communicated to it through audit enquiries. The replies to the points raised in the audit enquiries should be discussed with the Manager of the local branch of the bank.</p> <p>After completion of audit of the link branch concerned, a draft Inspection Report dealing with irregularities noticed in the payment of central pensions and other central transactions should be prepared for all the branches in the district and should be discussed with the Manager of the Link Branch and forwarded to OA(Central) Section.</p> <p>From July, 1987 onwards, a copy of the Inspection Report relating to pensions paid by the Defence Department is endorsed to the Deputy Director of Audit, Defence Services, Allahabad, as well as Director of Audit, Defence Services, New Delhi and the copy of the Inspection Report relating to pensions paid by Railway Department is endorsed to the Director of Audit, Railways, who should pursue the objections till their final settlement.</p> <p>b) The Inspection Report dealing with the audit of state pensions is to be forwarded to O.A(HQrs) Section, Thrissur, by the local audit party.</p> <p>c) The Inspection Report dealing with the pensions of Central Government, Defence and Railway should be sent to the DAG (Central), Kochi by the Local Audit Party.</p>

**APPENDIX - I****CALENDAR OF RETURNS**

(Para 2.06)

<i>Sl.No.</i>	<i>Name of Return</i>	<i>To whom due</i>	<i>When due</i>	<i>Authority</i>
<b>PART I ( Outward)</b>				
<b>ANNUAL</b>				
1.	List of bodies/authorities audited under various Sections of CAG's (DPC)Act during the preceding financial year ( statement to be sent to Special Cell for transmission to CAG).	CAG	By the end of April	CAG's letter No.80/tA I/47-74 dated 23-9-1974.
2.	Annual return in respect of audit entrusted under Section 19(2), 19(3), 20(1) and 20(2) to be sent by Special Cell ( HQrs).	CAG	20 <sup>th</sup> January	Lr. No. 1748-Audd.II 18.85 ( Cir. No. 39.Audit.II/1985) dated 21-11-1985 . File No. Special Cell HQrs. I/1-1/Vol. XIV
3.	Annual list of local audit to be undertaken	Fin. Dept.	Early in March	
4.	List of typical irregularities observed during the local audit ( and digest of important cases)	Inspecting Officer.	7 <sup>th</sup> March.	
<b>HALF YEARLY</b>				
1.	(a) Half yearly statement of IRs issued upto 31 <sup>st</sup> March/30 <sup>th</sup> September of each year but not settled on 30 September/ 31 <sup>st</sup> March.	Head of Dept/ Administrative Department of Government	20 <sup>th</sup> October / 20 <sup>th</sup> April	
	(b) Consolidated statement of the above.	Finance Department	20 <sup>th</sup> October/20 <sup>th</sup> April	
<b>QUARTERLY</b>				
1.	I.R.s for which first replies are due	Secretary to Government, Finance Department	25 <sup>th</sup> June, September, December,	

			March	
<b>PART II ( Within the Office)</b>				
<b>WEEKLY</b>				
1.	Report of examination of auditors tables	B.O.	Monday	
2.	Calendar of Returns	B.O.	Tuesday	
3.	Purport Register	B.O.	7 <sup>th</sup> , 14 <sup>th</sup> , 21 <sup>st</sup> & 28 <sup>th</sup>	
4.	Transit Register	B.O.	7 <sup>th</sup> , 14 <sup>th</sup> , 21 <sup>st</sup> & 28 <sup>th</sup>	
5.	Register of urgent references	B.O.	Tuesday	No. Estt/IV/Misc. 75-76 dated 12-11-1975.
6.	C.A.G.'s letters-Inward Register	B.O.	Tuesday	No. Estt/IV/Misc. 75-76 dated 12-11-1975.
<b>MONTHLY</b>				
1.	Section Officers Note Book	B.O.	1 <sup>st</sup> of every month	T.M. 11-117/29 dated 23-9-1954.
2.	Register to note special request for local audit.	B.O.	1 <sup>st</sup> of every month	Orders of A.G. dated 21-10-1960.
3.	Register clearance of Inspection Reports during local audit.	B.O. / Group Officer.	1 <sup>st</sup> of every month	No. Estt.V.IV/ Misc./ 75-76 dated 21-11-1975.
4.	Register of contracts and agreements.	B.O. / Group Officer	1 <sup>st</sup> of every month	TM.IV/ 18732 dated 16-8-1966.
5.	Register of Report of late attendance.	B.O.	5 <sup>th</sup> of every month	T.M. 15/50 dated 17-8-1953.
6.	Check Register of weekly diaries	B.O.	5 <sup>th</sup> of every month	O.A.D. Manual.
7.	Monthly list of arrears (correspondence)	B.O.	7 <sup>th</sup> of every month	No. Estt.A/IV/Misc/75-76 dated 12-11-1975.
8.	Monthly Report of the Section	DAG	7 <sup>th</sup> of every month	No. Estt.A/IV/Misc/75-76 dated 12-11-1975.
9.	Progress Report of clearance of objections	B.O.	7 <sup>th</sup> of every month	No. Estt.A/IV/Misc/75-76 dated 12-11-1975.
10.	Register of requisition slips of old records	B.O.	5 <sup>th</sup> of every month	T.M. IV/15-Mic/ 23 dated 17-8-1964.
11.	Certificates regarding the return of old records upto the end of previous month.	OE	5 <sup>th</sup> of every month	OE Section
12.	Incumbent Register.	B.O.	5 <sup>th</sup> of every month	T.M. V/11-36/59-60/68 dated 5-3-1960
13.	Register of local audit reports	B.O.	5 <sup>th</sup> of every month	OA.I/2-36/D1/685 dated 28-9-1960.
14.	Register of Performance cum Selection of IR by AG	DAG	10 <sup>th</sup> of every month	Circular No. ITA/27-1/97-98 dated 18-2-1998.and OA Cir. Dated 7-2-2002
15.	Review of Monthly	AG	15 <sup>th</sup>	A.G.'s orders dated 30-6-

	Arrears Report			1964 revised note for 5-1964.
16.	Register of points to be examined at the time of local audit.	B.O.	10 <sup>th</sup>	O.O. PA daed 16-9-1955.
17.	Check Register of TA Bills.	B.O.	10 <sup>th</sup>	T.M. IV/11-61 dated 3-10-1962.
18.	Register of Potential Draft Paras	B.O.	10 <sup>th</sup>	Cir. ITA/27-1/97-98 dated 18-2-1998.
19.	Volume of work done by Auditors	B.O.	10 <sup>th</sup>	TM V/1-72/39 dated 19-1-1960
20.	Register of pending cases	Branch Officer	15 <sup>th</sup>	
21.	Register of financial irregularities	Branch Officer	15 <sup>th</sup>	TM 15-10/178/53-26
22.	Progress Register of settlement of Inspection Reports	Branch Officer	1st	OA Manual
23.	Despatch Register	Branch Officer	18 <sup>th</sup>	TM. O.O. N/dt 16-1-1951 ( para of M.G.P.).
24.	Review report on Register to watch receipt and issue of IRs.	Sr.DAG	15 <sup>th</sup>	S.O./ OA I /2-36/17 dated 19-5-1971
25.	Register or Deviation from approved programme of parties / officers.	Sr.DAG	25 <sup>th</sup>	
26.	Objection Books	Branch Officer	27 <sup>th</sup>	
<b>QUARTERLY</b>				
1.	Report showing arrears of works	Co-ordn.(Au)	5 <sup>th</sup> April, July, October, January	T.M. 11-35-61/13-12/56 and 85 dated 26-3-1957.
2.	Register to note avoidable defects noticed in Inspection Reports	Branch Officer	10 <sup>th</sup> of every month	T.M. 11-35-61/13-12/56 and 85 dated 26-3-1957.
3.	Register of Performance-cum-selection of IR	AG	10 <sup>th</sup> April, July, October, January	Cir.No. ITA/27-1/97-98 dated 18-2-1998and OA. Cir. dated 7-2-2002
<b>HALF YEARLY</b>				
1.	Calendar of Returns for review	IAU(Works)		
2.	Certificate regarding custody of secret memorandum	AO(Admn),M.O.Tvm		
3.	Register for watching recovery of cost of audit.	Sr.AO/OE	30 <sup>th</sup> September, 31 <sup>st</sup> March	Para 1.07(ix) of OA Manual
<b>ANNUAL</b>				

1.	Transfer of records to National Archives	Co-ordn.(Au.	Before 30 <sup>th</sup> September	O.O. T.M. 15-302/61-62/67 dated 15-12-1961 dated 5-1-1962.
2.	Register of transfer of Surplus records	Co-ordn.(Au	1 <sup>st</sup> April	T.M. op.274/51 1866 dated 20-3-1961.
3.	Annual list of local audit to be undertaken	A.G.	7 <sup>th</sup> March	HA 15/53-54 dated 11-7-1955.
4.	Collection of statistics to serve as a fair index of the volume of work in audit offices.	Co-ordn.(Au	August	T.M. V. 11.72/60-61/362 dated 20-2-1961.
5.	Audit Plan for ensuing financial year	Secretary to Prl. A.G.	10 <sup>th</sup> January	Note from PAG's Secretariat
<b>PART III ( Inward )</b>				
1.	Khadi Board			
i)	Accounts to be kept ready	End of June		A.G.'s orders dated 13-12-1963 of Page 115 of file OA.I/6-5/Vol.II
ii)	Audit to be completed	Before 31 <sup>st</sup> July		A.G.'s orders dated 13-12-1963 of Page 115 of file OA.I/6-5/Vol.II
iii)	Reply to be completed	30 <sup>th</sup> September.		A.G.'s orders dated 13-12-1963 of Page 115 of file OA.I/6-5/Vol.II
<b>STATE STATUTORY BOARDS</b>				
1.	Submission of accounts by the organisation to audit	30 <sup>th</sup> June of the succeeding account year		Circular No. 73/86/Fin. dated 23-10-1986 read with Circular No. 9/87/Fin. dated 24-2-1987.
2.	Draft audit report to be issued to the organisation by the A.G.	10 <sup>th</sup> September		Circular No. 73/86/Fin. dated 23-10-1986 read with Circular No. 9/87/Fin. dated 24-2-1987.
3.	Receipt of replies to audit comments from organisation by A.G.	15 <sup>th</sup> October		Circular No. 73/86/Fin. dated 23-10-1986 read with Circular No. 9/87/Fin. dated 24-2-1987.
4.	Finalised audit report to be sent to Government.	30 <sup>th</sup> November		Circular No. 73/86/Fin. dated 23-10-1986 read with Circular No. 9/87/Fin. dated 24-2-1987.
5.	Placing the audit report on the table of legislature	31 <sup>st</sup> December		Circular No. 73/86/Fin. dated 23-10-1986 read with Circular No. 9/87/Fin. dated 24-2-1987.

**APPENDIX - II**  
**( Referred to in para 4.18(iv) of Chapter 4)**

**Accounts of Medical Stores**

**1. Functions:**

The purchase of medicines and other stores required by the Health Services Department is arranged by the Government Medical Store, Thiruvananthapuram. There are 12 District Medical Stores, one in each District except in the districts of Kasargod and Thiruvananthapuram. From April, 1984, the medicines and other stores required for institutions under the Medical Education Department are purchased by the Director of Medical Education.

2. Free supply of medicines and other articles is made from these stores to Municipalities during the time of epidemics and to Public Health Institutions for treatment of hook-worm disease. Aided medical institutions are also supplied with free medicines for treatment of hook-worm diseases and cholera when the Director of Health Services considers such supplies to be essential to the promotion of Public Health and in times of epidemics.

**3. System of Purchase**

In G.O. MS No.186/80/HD dated 15-7-1980 Government prescribed the medicines to be issued to various categories of institutions in the State. The system of arranging purchase is as follows :

Annual indents are prepared by the institutions and forwarded to the DMO of the district. The DMO after according sanction transmits them to the District Medical Store from where the indents are sent to Government Medical Stores, Thiruvananthapuram for further action. Checking of the indents, their tabulation and consolidation are done in Government Medical Stores. The Director of Health Services finally approves the indents. After finalisation of the indents, tenders are invited and purchase made as per the Stores Purchase Rules and standing instructions. As per G.O. MS 179/84/HD dated 2-7-1984, the Director of Health Services and Director of Medical Education should collect the indents for the next financial year from the institutions under his control and consolidate them by January every year. Immediately on consolidating the indents price lists have to be called for from the Public Sector / Joint Sector firms intimating the items and quantities required and the firms have to be addressed to indicate the rates for all the medicines required by the Department. A Central Purchase Committee (CPC) consisting of the Director of the Health Services, the Director of Medical Education , Director of State Insurance Medical Service , the Drugs Controller and a representative each from Government in Finance Department and Stores Purchase Department ( not below the rank of Joint Secretary) has been constituted for effecting the purchase. The Stores Officer, Government Medical Store will assist the committee. ( Authority : GO(MS)179/84/HD dated 2-7-1984). On receipt of the indents, a preliminary meeting of the Director of Medical Education, the Directors of Health Services and the Drugs Controller is to be held and in February a meeting of the Committee with the Public Sector firms is to be held at which decision will be taken on the rates and time schedule for supply. Government vide GO(MS)No.355/98/H&FWD dated 21-12-1998 included consumable items like gauze, blades, rubber sheets, gloves, scalp vein sets, syringes, etc. also in the CPC list subject to certain conditions. The rate approved for each item of medicine/ chemical, drug and consumable items the quantity of medicines to be supplied to each Medical Institution will be communicated to all concerned. The District Medical Officers and Principals/ Superintendents of Medical College Hospitals should make purchases only against the rate and quantity approved by the committee. The Committee will meet at least once in every two months to monitor the supplies and the payments to the companies against the rates approved and review the performance of each firm. After finalisation of the arrangements for the purchase of medicines from Public Sector firms, the committee will identify the drugs/chemicals/ medicines/consumable items for which these firms did not quote prices on the ground that they are not the manufacturers of the medicines. These medicines are to be purchased as per the Stores Purchase rules and Standing Instructions by the Director of Health Services, Director of Medical Education and Principals of Medical Colleges.

Local purchases can be made by Medical Officer of Hospitals/ DMO/DHS only in emergencies and up to the monetary limits prescribed by Government from time to time.

( G.O.(MS) No. 186/80HD dated 15-7-1980,  
Circular No. G2-12164/82/GMS dated 28-12-1982 of Addl. DHS (M),  
G.O. MS 179/84/HD dated 2-7-1984 and  
Circular No. 106-1161/84/GMS dated 31-10-1984 of DHS).

**4. Scope of extent of audit :**

Government have framed a set of Rules for the management and working of the Medical Stores in G.O. HL(B)2-386/57 EHD dated 25-9-1957, Chapter VI of Kerala Financial Code, Volume I and the Stores Purchase Manual issued by the Government of Kerala contain the various instructions to be followed in the purchase of stores. It should be seen in audit that the above rules and procedure have be adhered to by the Departmental Officers except in cases of deviations sanctioned by competent authorities.

5. The procedure and extent of audit in respect of Stores and Stock Accounts have been laid down in Para 89 of M.S.O.(Audit), 2<sup>nd</sup> Edition 2002. The instructions contained in the succeeding paragraphs are therefore only supplementary thereto.
6. The medical stores are divided into two different sections :
- (i) The Stores Section and
  - (ii) The Account Section.

The Stores Section is responsible for the receipt, custody and issue of the Stores and the Account Section for their accounting. Some of the more important Registers and accounts maintained in the above two sections and the Special procedure of audit to be adopted in each case are mentioned in the following paragraphs :

**7. Stores Section**

**(a) Bin cards**

It should be seen that --

- (i) The bin cards are opened for all items of medicines, etc. in the store;
- (ii) The vocabulary numbers and name of the store articles are noted on the cards at the top as the heading of the cards.
- (iii) All items of receipts and issues as per the Day Book are entered in the concerned bin cards as receipts and issued and daily balance struck;
- (iv) The balance at the end of the year is struck in all cases and the quantity found on annual physical verification is recorded below such entries under the attestation of the Stock Verification Officer.

**(b) Indents and issue lists**

It should be seen that :

- (i) All extra indents from the Medical Officers as well as special occasional indents from other Departments are sent first to the Director of Health Services and are checked and acted upon only after having been authorised by him;
- (ii) The issue lists are drawn up in 4 copies and the fourth copy is filed in the Store section;
- (iii) The issue lists bear reference to indent number;
- (iv) Only the quantities passed by competent authorities are issued.

**8. Accounts Section**

- (i) *Issue lists* -- A copy of the Issue list of medicines, etc. is received in the Account Section from the Stores Section. The articles shown as issued are entered in the



Stock Registers and then filed. Two copies of the Issue lists are sent from the Stores Section to the indenting officer; one copy is returned by him to the store duly acknowledging receipt of the articles as per the Issue list or explaining discrepancies, if any. The articles acknowledged are then checked with the copy of the Issue list previously received in the Account Section, Discrepancies, if any, between the articles issued from the stores and articles acknowledged by the indenting officers should then be reconciled. It has to be seen in audit that the articles issued and articles acknowledged are the same and shortages or other discrepancies, if any, are accounted for properly.

- (ii) *Price vocabulary* -- A price vocabulary is maintained in the Account Section. Audit should examine whether the prices are fixed in the vocabulary on the basis of the cost price as per the supplier's invoices and other incidental expenses and whether the rate are revised periodically consistent with variations in prices whenever such variations are noticed.

9. **Annual Stock Accounts** -- The Annual Stock Accounts of the Department furnished by the Director of Health Services and Director of Medical Education are to be incorporated in the Appropriation Accounts. The Accounts should be test-checked to see that the figures furnished in the Stock Accounts are correct and that they exhibit the correct position of the Stock. The Stock accounts should then be certified as correct under the signature of the Gazetted Officer who supervised the audit and it should be returned.
10. **Annual Stock Verification** -- A physical stock verification of the stores is conducted by an officer of the department independent of the officer-in-charge of stores. The verification is exhaustive and the results of verifications are submitted to the Director of Health Services and Director of Medical Education. A copy of the report is also endorsed to the Accountant General. At the time of inspection of the accounts of the stores it should be seen that the quantities reported to have been verified by the Stock Verification Officer are correct with reference to the entries in the stock registers and that action has been taken by the officers in charge of the stores to adjust the differences between the book balance and stock balance, i.e., excess over book balances are added to the stock and deficits made good by recovery of their value from those responsible or written off, wherever justified.

**APPENDIX - III**  
**( Referred to in para 4.18(iv) of Chapter 4)**

**Accounts of the Stationery Offices**

1. **Nature and extent of audit** -- The audit of the accounts of the Stores of the Stationery Department is conducted at the Office of the Controller of Stationery, Thiruvananthapuram including Central Stores, Thiruvananthapuram and in the offices including the stores in the Districts except Pathanamthitta, Waynad and Kasargod districts where there are no district offices.
2. **Accounts maintained** -- The registers and records maintained in the stationery offices and their scope are detailed below :
  - a) *Bin Cards* -- These are kept in the Stores and contain the name of the item, the date of receipt and issue, the quantity received and issued and the balance after each transaction.
  - b) *Main Ledger* -- It shows the opening balance on 1<sup>st</sup> April, receipt and issues during the year and the closing balance at the end of the year of all articles in the Store.
  - c) *Register of Daily Receipts* -- The details of the articles received daily are noted in this register. The invoices for the supplies of stationery are verified from this register. The particulars of the contingent bill in which the price of the articles is claimed and paid should be noted in this register.
  - d) *Stationery Supply Card/ Indents* -- Except in respect of Secretariat, Thiruvananthapuram, a stationery supply card specifying the sanctioned quota for a period of three years in regard to each item of stationery based on the assessment made by the Inspectors of the Stationery Department is issued by the Controller of Stationery to each officer authorised to indent on the Controller. A copy of this card is maintained in the Central Store, Thiruvananthapuram./ District Stationery Office which supplies stationery to the concerned officer. In the case of Secretariat, annual indents in duplicate are forwarded by the Departments in the Secretariat to the Controller of Stationery. The annual indents are checked by the Controller and one copy fixing the annual quota in respect of each item is forwarded to the officers concerned.
  - e) *Register of daily issues* -- The issues to the various Department and Officers are chronologically entered in this register.
  - f) *Invoice Register* shows articles sold to Departments from whom price is recoverable.
  - g) *Contingent Register* shows full particulars of articles purchased and the value paid for them. The office copy of the contingent bill with vouchers is preserved in the Stationery Office for audit.
  - h) *Register of Returned Articles* shows articles returned by officers who no longer require them or who have been wrongly supplied with articles not indented for. Those articles should again be brought forward on the ledger if they are in good condition and fit for re-issue.
  - i) *Register of Short Receipts or Register of Complaints* shows fresh supplies of articles after full investigation of the circumstances of the loss is made and necessary action taken.
  - j) *Register of Unserviceable materials* shows all articles condemned as unserviceable and taken out from stock as also all articles received back as unserviceable from other offices.
  - k) Stock Register of Typewriters shows the receipts in the Stationery Office of machines including those returned by offices who no longer require them.
  - l) Register of condemned typewriters shows all machines returned by various offices as unfit for further use and declared unserviceable by the Controller of Stationery.
  - m) Demand, Collection and Balance Register ( DCB Register) shows the value of all articles supplied on payment or on book adjustment, other recoveries pertaining to the Stationery Office, the amount collected and the balance etc.
  - n) Deposit or Security Register shows the details of amounts received as earnest moneys or as security deposits against due fulfilment of contracts and their subsequent refund.
  - o) Price List -- The prices of articles given in the list include the value of articles, the freight and incidental charges and certain to cover transport and departmental charges.
  - p) Auction sales papers show realisations from the auction sales of unserviceable articles and their credit in the Cash Book.
  - q) Tenders and Contracts for the supply of stationery articles purchased by the Department should be referred to while checking the invoices as regards price payable and the quantities supplied.
  - r) Register of approved samples : The approved samples of the different articles for which orders have been placed are entered in this register.

**3. Receipt of Stores :** Stores are received from the following sources --

- a) From Contractors
- b) By local purchases
- c) From Jails, Public Works Department, Government Presses, etc.
- d) From Government offices which have been wrongly supplied with articles not indented for and surplus stores from offices which no longer need them.

**4. Issue of Stationery :**

- (i) Lists of officers authorised to indent on the Controller of Stationery and of those entitled to obtain stationery on payment or by book adjustment of value are maintained in the Stationery Office.
- (ii) Officers other than those in Secretariat, Thiruvananthapuram submit their vouchers along with the stationery supply card in duplicate for supply of stationery items to the Central Store, Thiruvananthapuram / District Stationery Office as the case may be, where the vouchers are passed and the quantity supplied is noted in the stationery supply card of the officer by the officer in charge of the store. The officers belonging to Secretariat, Thiruvananthapuram submit their vouchers for issue of stationery articles in triplicate and the acknowledgement of receipt of articles by the office is obtained on one copy of the voucher.

**5. Statement of excesses and deficits --** Stock is verified annually and differences between the book balances and the quantities actually found in stock are adjusted or written off under proper sanction.

**6. Adjustment of Issues to Union Departments --** The value of stores issued by State Stationery Offices to Union Department is communicated by the Stationery Office to the Accountant General, who makes the necessary book adjustments.

**7. Pricing of Stationery --** For the purpose of valuing issues from the Stationery Office, the rates are calculated on the actual price paid according to the contract for the year, together with a percentage to cover transport and departmental charges as fixed by the Controller from time to time.

**8. Payment for the Stores received**

- (i) Vouchers or particulars for all payments made during three months for the supply or purchase of paper, stores, stationery, packing cases, typewriters, etc. should be obtained from the main office and compared with the amount shown in the Contingent Register.
- (ii) The bills should be checked with the contract rates and total amounts of the bills should be arithmetically checked.
- (iii) Receipts from other sources during the period under audit should be checked with relative documents.

The receipt of the articles paid for should be traced into the concerned ledgers and bin card.

**9. Issue of Stores :**

- (i) Five per cent of the indents for issue of stores during the month under detailed audits should be scrutinised to see that the quantity intended for has been properly examined and the indents passed for issue.
- (ii) Fifty per cent of issues of paper, stationery, etc. to office entitled to free supplies book debits and issues on cash payments during the month marked for detailed audit should be traced into their respective ledgers / bin cards.
- (iii) It should be seen that all the issues are properly acknowledged by the parties that the figures in the issue vouchers are free from erasures and that all corrections have been attested.
- (iv) The method of pricing stationery stores articles must be especially looked into. The pricing of locally purchased articles manufactured articles such as, blank books, etc.

should be checked. All the pricing during the months under audit should be arithmetically checked.

- (v) Totals of all the issues made on payments and on book debits should be checked in the respective ledgers. The value of all the supplies made on cash payment should be traced to the Cash Book. All intimations sent to the Accounts Office for adjustment of the value of supplies made on book debit should also be checked. The list showing the outstanding balances at the close of the previous year should be obtained and checked with recoveries shown in the Cash Book during the year. It should also be seen that the unrealised balances have correctly been shown in next list.
- (vi) The opening balances on the 1<sup>st</sup> April, should be compared with the closing balances of the previous year and with the stock verification list. The arithmetical accuracy should be checked in respect of 10% of the receipts and issues and 10% of the ledger posting of the period covered by local audit. The ledgers should be scrutinised to see that the closing balances of the articles are not unnecessarily heavy. A list should be prepared of articles that were not issued at all during a year or so. The old ledgers should also be examined to ascertain how long they were in stock without issue. Purchase in excess of normal requirements should also be investigated.

#### **10. Accounts of Typewriters, duplicators, etc :**

- (i) The percentage of check of this account may be limited to the same extent as in the case of other stores. The payments for three months may be taken for the purpose of detailed audit.
- (ii) A stock account of the serviceable typewriters returned to the Stationery Office by the various Indenting Offices or account of their being surplus to requirements or due to other causes is also maintained. These machines are issued either finally on indents from other offices or issued on loan. Ten per cent of such receipts and issues should be checked with the original records, i.e. with the covering letters of the forwarding offices in the case of the receipts and the acknowledgements of the receiving offices in the case of issues. If the machines were loaned to any Paying Department, it should be seen that a hire charge has been recovered, and the amounts realised should be traced in the Cash Book if the payments were in cash. If on the other hand, the recovery is by book adjustment, it should be seen that the request for book adjustment has been sent to the Accounts Officer and that it has been duly acknowledged by him.
- (iii) **Condemned Typewriters** -- Twenty-five per cent of the entries made in the Register of Condemned Typewriters should be verified with the original papers containing the machines, and these orders should be scrutinised to see under what circumstances the machines were condemned and whether what circumstances the machines were condemned and whether suitable action was taken in cases where machines had to be condemned and not through wear and tear but through carelessness and neglect. It should be seen that these machines were disposed of to the best advantage of Government ( this is generally ensured by public auction and the sale proceeds realised should be traced in the Cash Book.

**11. Auction sale :** Generally when sufficiently large quantities of unserviceable stores, typewriters, etc. have accumulated, these are catalogued and an auction with as wide a publicity as possible is arranged by a notification giving the time and place and conditions under which the articles would be sold by public auction. The catalogues are compiled from the Register of Unserviceable Typewriters and Unserviceable Stores and ten per cent of the entries in these catalogues should be checked to see that they are complete and that no article has been omitted from them. It should be seen that an account of the sale by auction has been prepared after the sale is over, and that the cash realised is credited into the cash book.

**12. Annual Stock Account :** The Annual Stock Accounts of the Stationery Stores furnished by the Controller of Stationery are included in the Appropriation Accounts of the State after check.

**APPENDIX IV**

(Referred to in para 4.22(ii) of Chapter 4)

**Procedural instructions for the Audit of Contracts and Agreements**

( Vide Comptroller &amp; Auditor General's letter No.1521-Admn.I/87/59 dated 12-5-1960)

<b>1.</b>	<p>Audit of contracts and contractors bills, whether the contracts are placed by a Central Purchase Agency or by Departments, generally fall under the following heads :</p> <ul style="list-style-type: none"> <li>(i) Audit of contracts and agreements by themselves and with reference to indents and tenders.</li> <li>(ii) Audit of payments of contractor's bills against contracts, purchase orders and agreements.</li> <li>(iii) Audit and Accounting of stores, equipments, etc. purchased against such contracts by the consignee.</li> </ul>
<b>2.</b>	<p><b>Audit of Contracts and Agreements, Tenders etc. :</b></p>
	<p>The general check to be exercised in local audit are indicated in para 3.7.19 of M.S.O.(Audit)Second Edition, 2002. Other checks are detailed below :</p> <ul style="list-style-type: none"> <li>(i) In scrutinising an Acceptance of Tender it should be seen : <ul style="list-style-type: none"> <li>a) That the particulars regarding quantity and rates are furnished and the prices stipulated are firm. Particulars of the contracts providing price variation clause or provisional rates, should be sent to local audit for further examination.</li> <li>b) That there is no omission of any important clause, e.g. inspection of stores, date and place of delivery, despatch instructions, name of consignee, etc.</li> <li>c) That it is signed by an authority who is competent to enter into the contract. In case the signature on the order is that of an authority who is not competent to enter into the contract, a certificate to the effect that the purchase has been approved by competent authority, is recorded therein, mentioning also the designation of the authority whose approval has been obtained.</li> <li>d) That, if the Acceptance of Tender provides for payment to a party other than the contracting firm, a power of Attorney is already registered on the books of the office;</li> <li>e) The provision for the payment of sales tax, excise duty, etc. should be checked with reference to the instructions issued by the Government from time to time. Vague provisions, such as, Sales Tax will be paid, if legally leviable should be objected to and the contracting officers asked to state in definite terms whether Sales Tax, excise duty, etc. are payable and if so, at what rate and on what amount;</li> <li>f) Acceptance of tenders placed in the later part of a financial year should be specially scrutinised, and tendency to rush of expenditure towards the close of the financial year should be brought to notice. Requests for despatch of heavy goods by passenger train, at a freight cost which disproportionate to the value of the materials, should be reported to the Local Audit party, for detailed examination. In such cases, the party should see whether a higher rate was also paid for urgent delivery and whether the circumstances really justified the extra expenditure.</li> </ul> </li> <li>(ii) In conducting audit of sanctions the broad principles of financial propriety enunciated in Paras 2.2.46 and 2.2.47 of M.S.O. (Audit)Second Edition, 2002 should be borne in mind. In cases of doubt regarding the necessity or the propriety of expenditure sanctioned, the original papers leading to the issue of the sanction, should be called for and scrutinised in Central Audit. The cases may be sent with a brief note to Local Audit Party and if the Accountant General considers this necessary to the E.P.A.(Section) for further examination.</li> <li>(iii) It should further be seen that -- <ul style="list-style-type: none"> <li>(a) All requirements pointed out at the time of pre-scrutiny ( if carried out) have been complied with or replied to the satisfaction of audit;</li> <li>(b) That the contract has not been made by or on behalf of a minor;</li> <li>(c) That the security deposit in the appropriate form and of the correct amount has been lodged within the period stipulated in the contract and that in the event of default,</li> </ul> </li> </ul>

	<p>penalties leviable under the conditions of the contract have been enforced;</p> <p>(d) That the contract has been signed for and on behalf of the President of India, Governor of a State or Chairman, etc. of a quasi-public body as the case may be;</p> <p>(e) That all the conditions and requirements printed on the contract form have been complied with;</p> <p>(f) If the contract has been entered into with a firm, each one of the partners has signed all the documents constituting the contract and if any partner be absent, the forms are signed by his duly constituted attorney.</p> <p>(iv) All contracts and agreements required to be audited, should be reviewed by AAO/Section Officer and submitted to the Gazetted Officer for further review. Before auditing purchase bills, the Branch Officer should satisfy himself that the sanctions and agreements were properly audited and bear suitable endorsement of audit and review.</p> <p>(v) Cases of the type mentioned below may, if necessary, be scrutinised carefully. Points if any referred to by E.P.A.(HQrs) for scrutiny / analysis should be specially looked into.</p> <p>(a) Inclusion of any new item of expenditure not originally contemplated in a contract.</p> <p>(b) Extension of the date of delivery in contracts where higher prices have been allowed on account of early delivery of stores.</p> <p>(c) Compensation allowed to firms in respect of contracts.</p> <p>(d) Any extraordinary stipulation in a contract, even if it is sanctioned by Government etc.</p> <p>(e) All contracts on cost-plus-profit basis</p> <p>(f) All contracts with private firms to act as Government Stockists.</p> <p>(g) All sanctions for ex-gratia payments.</p>
<b>3.</b>	<b>Audit of Bills for the supply of stores :</b>
	<p>Besides the checks prescribed in para 3.1.20 of M.S.O.(Audit), 2<sup>nd</sup> Edition-2002 it should be seen while auditing bills of contractors that --</p> <p>(a) The purchase of stores has been sanctioned by the competent authority.</p> <p>(b) All purchases of stores are made in accordance with the instructions laid down by Government with special reference to the rule that no purchase which required the sanction of a superior financial authority is sanctioned by lower authority in instalments;</p> <p>(c) The rates shown in the bills agree with those in the Agreements;</p> <p>(d) When the contract stipulates inspection in stages, e.g. at the time of manufacture or after erection at site the necessary inspection certificates are furnished with the bills.</p> <p>(e) A claim for railway freight, insurance charges, etc. when the order is F.O.R. place of despatch is duly supported by Cash Receipts, irrespective of their amounts;</p> <p>(f) When a contract is placed on the basis of rates prevailing in the market on the date of receipt of the order by the firm or on the day of supply, such rates are verified with the intimation of market rates received from the suppliers. These rates should be confirmed by the Purchasing Officers.</p> <p>When the contract stipulates different periods, the date of despatch/delivery of stores should be checked independently.</p> <p>(g) When a contract has been placed for stores which are obtained from countries outside India, no payment on account of customs duty or increases in custom duty is made, except under the provisions of the contract, or under orders of competent authority;</p> <p>(h) Whether any discrepancy or deficiency has been recorded by the consignee in his receipt of certificate supporting the balance of 10% or final 100% bill in cases where advance payment or part-payment or part-payment of 90% in vogue.</p> <p>(i) The stores have been delivered within the delivery periods and that late delivery, if any has been regularised by the sanction of the competent authority.</p>

<b>4.</b>	<b>Local Audit of Purchase Bills, Contracts, etc.</b>
	<p>The following items may be examined in local audit :</p> <ul style="list-style-type: none"><li>a) Acceptance of tender including Rate / Running contracts, Supply order etc.</li><li>b) Amendments against acceptances of tenders etc.</li><li>c) Contracts placed in India direct on suppliers in U.K., U.S.A. and other overseas countries;</li><li>d) Contracts placed by Indian Missions and Trade Commissioners abroad other than those in U.K., and U.S.A.; ( in the case of U.K. and U.S.A., the I.S.D. London and I.S.M., Washington have their own procedure for procurement of stores required and payment thereof.)</li><li>e) Timber purchase orders;</li><li>f) Office orders etc. issued by the purchase organisations on the subject of Sales Tax , Excise Duty etc.</li><li>g) Disposal Contracts;</li><li>h) Arbitration cases etc.</li></ul>



<b>APPENDIX V</b>	
<b>(Vide para 4.30(III) )</b>	
<b>SOCIAL SECURITY SCHEMES</b>	
<b>1.</b>	<b>Destitute Pension Scheme :</b>
	<p>( Ref : G.O.(P)1415/73/LA &amp; SW dated 3-8-1973 )</p> <p>It should be seen in local audit that:-</p> <ul style="list-style-type: none"> <li>(i) The various conditions prescribed in Rules 4 and 5 of the scheme are satisfied before sanctioning the pension.</li> <li>(ii) Payments are made once in two months i.e. in the first week of January, March, May, July, September and November.</li> <li>(iii) The pension is paid from 1<sup>st</sup> of the month of sanction only vide note under Rule 8.</li> <li>(iv) In cases where pension has been sent for second time due to the return of the first Money Order for no fault of the Department the M.O. Commission has been deducted from the amount of pension vide Rule 9(i).</li> <li>(v) Rule 12 stipulates that in case a pension under the Scheme, is cancelled on account of wrong, fraudulent or undeserving sanction, the amount already paid is recoverable from the persons responsible for such irregular sanction and not from the pensioner. It should be specifically seen whether this provision is being adhered to.</li> <li>(vi) The village officer promptly reports the death of pensioners when such cases arise and the disbursement of pensions in such cases is promptly discontinued by the Tahsildar (Rule 13).</li> <li>(vii) The Tahsildar conducts the half yearly verification of the continued eligibility of the pension and submits a report to the Collector on 5<sup>th</sup> May and November every year.</li> <li>(viii) In cases where the pensioner leaves the state and continues to live in another State pension is discontinued from the month in which the pensioner leaves the State ( Rule 10).</li> </ul>
<b>2.</b>	<b>Scheme for assistance to indigent TB Patients:</b>
	<p>( Ref : G.O.(P) 626/63/HLD dated 14-8-1963 )</p> <ul style="list-style-type: none"> <li>(i) The patient is a domicile and has resided in Kerala for more than one year on the date of application.</li> <li>(ii) The monthly income of the patient or of his family ( family is defined in Rule 79 of K.S.R. III excluding married members residing separately ) does not exceed Rs.300/- per annum.</li> <li>(iii) Application is certified by the Medical Officer in charge of T.B. Hospital / Clinic / Sanatorium nearest to the residence of the patient that the applicant is suffering from T.B. requiring at least 6 months treatment and has not been admitted to the institution under his charge ( Rule 8).</li> <li>(iv) Tahsildar after enquiry should certify that the applicant is in indigent circumstances and the annual income of the applicant from all the sources does not exceed Rs.300/-.</li> <li>(v) The Collector is the final authority for the sanction or rejection of the application.</li> <li>(vi) The amount of assistance in such case is Rs. 30/- per month and shall be given for a period of six months from the date of order. The assistance may however be extended for a further period of six months on a further recommendation of the Medical Officer and Tahsildar. For payment of assistance to minor the procedure laid down in Rule 139(C) K.S.R Part- III to be followed.</li> <li>(vii) Financial assistance ceases from the date following the date of admission of the beneficiary to a TB hospital / clinic / sanatorium or from the date he ceases to be in indigent circumstances.</li> <li>(viii) Patients admitted in TB clinic etc. should give a declaration as to whether he is in receipt of any financial assistance under the scheme and the Medical Officer in charge of the institution should inform the Tahsildar the fact of admission who will stop further financial assistance to those patients.</li> <li>(ix) Tahsildar shall make a quarterly verification in each financial year of the fact that the</li> </ul>

	beneficiary is alive and continued to be in indigent circumstances and furnish report to Collector.
<b>3.</b>	<b>Scheme for financial assistance to Leprosy and Cancer patients.</b> ( Ref. : G.O.(P)No. 394/76/HD dated 9-11-1976 ).
	<p><b>a) Leprosy patients</b></p> <ul style="list-style-type: none"> <li>(i) The eligibility of the applicant is to be verified by the Village Officer and sanctioned by the Tahsildar ( Rule 8).</li> <li>(ii) The monthly income of the patient or any his/ her relatives viz. wife/ husband, son father or mother does not exceed Rs.50/- ( if the relative(s) are continuously missing for more than 7 years the existence of such relative(s) can be ignored ).</li> <li>(iii) He / she is not a habitual beggar and has no history of conviction for moral turpitude or for any crime resulting in imprisonment for a period exceeding one year.</li> <li>(iv) He / she has been registered at the nearest S.E.T. Centre / hospital and is undergoing treatment according to prescription from time to time, but not secured admission as an inpatient in any recognised institution specialised in the treatment of leprosy and where free accommodation and treatment facility are available.</li> <li>(v) The assistance is limited to Rs.50/- per month and has been sanctioned only for a period of one year and if extended beyond one year ( the maximum period of assistance is limited to 2 years ) it is supported by the certificate of the medical officer as to the necessity of continued treatment and also that the patient is regularly undergoing treatment in the S.E.T. Centre / hospital but not as inpatient. After a period 3 years of the cessation of the treatment a patient can again be granted the assistance afresh .</li> <li>(vi) The assistance is discontinued in the case of persons leaving the State or discontinued treatment at the S.E.T. Centre / hospital or dies from the 1<sup>st</sup> of the month of such leaving or discontinuance of the treatment or death as the case may be.</li> <li>(vii) There is evidence of the half yearly verification of the continued eligibility by the Village Officer ( Report of certification to be submitted to the Tahsildar on 20<sup>th</sup> of May and November every year ).</li> <li>(viii) The Money Orders returned undisbursed are credited to Government and in cases a despatch of the amount of assistance a second time the M.O. Commission has been deducted from the amount of assistance if the necessity has occasioned due to the fault of the grantee ( such as non-intimation of the change of residence).</li> <li>(ix) The assistance sanctioned is given effect to from the 1<sup>st</sup> of the month of the sanction unless the sanction is delayed for more than 2 months in which case the sanction will be effective from 1<sup>st</sup> of the 3<sup>rd</sup> month irrespective of the date of sanction.</li> <li>(x) In the case of insane or minor patients payment is made only to the guardian appointed for the purpose and who has executed the prescribed agreement undertaking to support the grantee ( The agreement is free from stamp duty).</li> <li>(xi) The Tahsildar has maintained the register in Form III of the rules showing the names of persons to whom the assistance is granted.</li> </ul> <p><b>b) Cancer patients</b></p> <p>The same points as in the case of leprosy patients to be looked into except in the following respects :</p> <ul style="list-style-type: none"> <li>(i) The sanction of assistance is valid till death or recovery whichever is earlier.</li> <li>(ii) The sanction of assistance will be effective from the 1<sup>st</sup> of the month of sanction In the case of delayed sanctions it would be effective from the 1<sup>st</sup> of the 2<sup>nd</sup> month application.</li> </ul>

4.	<p><b>Kerala Agricultural Workers' Pension Scheme, 1982.</b>(Please see Para. 4.30(IV))</p> <p>Ref : 1. G.O.(P)/23/82/LBR dated 13-7-1982. 2. G.O(P)/52/82/LBR dated 23-12-1982 3. G.O.(P)/83/LBR dated 17-5-1983</p>
	<p><b>Salient features.</b></p> <p>(i) A person shall not be eligible for pension under this scheme</p> <p>(a) If his annual income exceeds Rs.1500/- ( in calculating such income, the income of the applicant including husband / wife, unmarried adult sons and daughters, if any, shall also be taken into consideration ).</p> <p>(b) If the applicant is being taken care of by any institution maintained for the care of old, sick or infirm, or</p> <p>(c) If the applicant is in receipt of any financial assistance ( other than the financial assistance for T.B., Leprosy or cancer patients under any of the Welfare Scheme instituted by the Central or State Government or by a local authority or by any organisation run with the aid of the Central or State Government or a local authority ).</p> <p>(d) If the annual income exceeds Rs.1500/- at any time after sanction of pension, he will cease to be eligible for pension thereafter.</p> <p>NOTE : Where financial assistance is being enjoyed by the applicant under any of the existing Welfare Schemes, the applicant will have an option to choose between the assistance under such Welfare Schemes and that under the Agricultural Worker's Pension Scheme.</p> <p>(ii) The Village Officer after satisfying the correctness of the particulars in the application shall forward one copy after recording the certificate to the concerned District Labour Officer in whose jurisdiction the applicant is a resident and keep the other copy in his office.</p> <p>(iii) The Deputy Labour Officer / Inspector of Agricultural Labour and Assistant Labour Officer Grade I in the District Labour Office are the sanctioning authorities. If prima facie the applicant is found not eligible for pension, the application shall be rejected only after giving him 15 days notice and also hearing the applicant. The reasons for rejection shall also be communicated to the applicant and the Village Officer in Form II B.</p> <p>(iv) The Deputy Labour / Officer shall maintain a register of applications received / sanctioned / rejected in Form III. This list will be published in the Village Offices.</p> <p>(v) The pension shall be paid once in three months viz. January, April, July and October by Money Order by the Deputy Labour Officer who will have power to withhold payments on complaints pending enquiries. The Labour Officer shall render half yearly statements of accounts of payments to the Labour Commissioner.</p> <p>(vi) Appeals, which shall be filed within 60 days, of the order appealed against will lie with the Revenue Divisional Officer whose decision shall be final.</p> <p>(vii) The pension will cease on the death of the Pensioner, or on his leaving the State of Kerala and continuing to live for a period beyond six months in another state.</p> <p>(viii) The Labour Commissioner is in overall charge of the Scheme and will issue necessary instructions in this regard.</p>
	<p><b>Accounting Procedure :</b></p> <p>(i) The Deputy Labour Officer of each District will present to the concerned Treasury separate bills in TR 42, one for amount of pension and the other for the amount of Money Order commission. A schedule of payment of pension in Form I A in duplicate shall be attached to the Bills. The amount of bills will be transfer credited by the treasury to the account of the Post Office and a certificate of remittance obtained from the Treasury. The Money Order forms together with the certificate of remittance obtained from the Treasury along with schedule of payment in Form I A in duplicate shall be presented to the Post Office. One copy of the schedule will be taken back from</p>

the Post Office with the seal and signature of the Post Master for records.

(ii) The Deputy Labour Officer will maintain a separate cash book in Form II in respect of the pension scheme. All bills drawn in money returned by postman in respect of the undisbursed money order are to be brought into account on the receipt side of the cash book. When money orders are sent the amount of pension and money order commission will be accounted on the payment side of the cash book. The cash book shall be closed on the last working day of each month. A quarterly account in Form III should be sent to the Accountant General with copy to the Labour Commissioner with the following schedules :

- a) Schedule of Pension in Form I A.
- b) Schedule of bills drawn in Form I B.
- c) Schedule of remittances into treasury in Form IV.
- d) Schedule of undisbursed pension returned by postman in Form V.
- e) Reconciliation statement of remittances and drawings in Form VI.

(iii) The Deputy Labour Officer shall maintain a register of undisbursed money orders in Form VII.

The register and forms prescribed in this part are to be prepared and maintained in addition to those prescribed in G.O.(P)23/82/LBR dated 13-7-1982.

As the Deputy Labour Officers are attached to the District Labour Office, the District Labour Officers should exercise proper supervision and control over the Deputy Labour Officer in the proper adherence to the procedures. The Cash book and subsidiary registers are to be checked by the District Labour Officer and closed over his countersignature.

<b>APPENDIX VI</b>	
<b>( Referred to in para 8.18 )</b>	
<b>MAINTENANCE OF ACCOUNTS OF CASH AND STORES QUESTIONNAIRE</b>	
To be submitted along with every inspection report on civil offices.	
( Please give reference to Para No. in the inspection report / Test Audit Notes or to special notes if any against each item )	
1.	Is there an internal audit machinery working in the Department and how effective its functioning is ? Whether periodical inspection of the accounts of the office is conducted by internal audit wing / Controlling Officer.
2.	Whether all transactions of receipts and payments are correctly recorded in the cash book in the prescribed form strictly in the order of occurrence and on the date they actually take place.
3.	Whether the cash book is closed regularly giving an analysis of the cash balance and the totals / balances worked out correctly.  Where subsidiary cash books are maintained whether the balances are carried over to the main cash book daily and correctly.
4.	(a) Whether there is evidence in the cash book of verification of all entries made therein regarding receipts, payments and balances and the balances of cash chest are counted at least once in a month and duly certified by the Head of the Office. (b) Whether the arithmetical accuracy is checked by any one other than the writer of the cash book.
5.	Whether all receipts of cash as shown in the counter foil of receipt books as well as cash received from the treasury on bills, cheques, cash orders, or Reserve Bank Drafts are traceable in the Cash Book under proper heads and with correct particulars.
6.	Whether the demand draft obtained from treasuries / banks have been entered in the Register of valuables and whether their disposals are watched promptly.
7.	Whether the receipt books ( used and unused ) and stock register of receipt books have been kept under the safe custody of the Head of the Office.
8.	Whether the pages of receipts books have been numbered and certificate of count of pages is recorded, a proper stock account is kept of all receipt books and the stock thereof is periodically verified.
9.	Whether the foils of cancelled receipts are available in the receipt books.  (i) Whether more than one receipt books is issued to an individual officer at a time. (ii) Whether used book is returned when fresh one is issued. (iii) Whether physical verification of stock of receipt books is conducted.
10.	Whether remittances are made without undue delay and are supported by receipted chalans.
11.	When the number of remittances made in a month is more than ten and the total amount involved therein exceeds Rs.1000 whether a consolidated receipt has been obtained from the treasury and compared with the entries in the cash book.
12.	Whether remittances corresponding to the receipts are traceable in all cases. Whether cross

	references of receipts are given in the cash book when remittances are made.
13.	Whether all payments are supported by vouchers.
14.	Whether the sub-vouchers, payees receipts etc. in support of payments are cancelled and retained in the office.
15.	Whether slips in TR 45 submitted to Treasury along with the bills have been received back and kept in the office.
16.	In the case of endorsed contingent bills whether an advice in form TR 105 is issued and a copy of the same received back and kept in the office.
17.	Whether there are any cases of withdrawal of money far in advance and or in excess of requirements.
18.	Whether there is any case of withdrawal of money and deposit in the bank without sanction of Government and whether it results in locking up of Government money.
19.	Whether there is a tendency to keep unduly large cash balance in hand.
20.	Whether private cash is mixed up with regular cash balance of Government.
21.	Whether the arrear claims have been noted against the original claims and attested.
22.	Whether the leave taken / surrendered have been noted in the service books and leave accounts of the persons concerned.
23.	Whether the persons dealing with cash have furnished sufficient fidelity insurance.
24.	Whether office copies of pay bills have been checked with referenced to the vouchers received from headquarters, sanctioned strength of staff, attendance registers, acquittance rolls, service books leave accounts etc. and found correct.
25.	<p>Whether the Audit Party had noticed any of the irregularities mentioned below. If so give details / reference to para in the inspection report.</p> <ul style="list-style-type: none"> <li>(i) Erasures, over writings, interpolations, alterations and unattested corrections in figures, pass orders etc. in account books and registers, bill presented at treasuries, invoices, sale bills, receipts etc.</li> <li>(ii) Removal of pages from account books and registers.</li> <li>(iii) Tampering in totals and carry forward of totals, especially in cash books and stock books.</li> <li>(iv) Errors in totalling in bills.</li> <li>(v) Errors in carry over of figures from subsidiary registers to main registers.</li> <li>(vi) Delay in disbursement of moneys drawn from treasury to payees ( including money recovered / against court attachment, undisbursed salaries etc.).</li> <li>(vii) Persistent delay in the submission of invoices and countersigned detailed bills to audit.</li> <li>(viii) Tampering of figures in chalans.</li> <li>(ix) Payments made on duplicate invoices, absence of proper references in invoices to entry in stock books and pay orders made on vouchers without specifying the amount.</li> <li>(x) Bills presented at the treasury without entry in the Treasury bill book, interpolation and alteration of entries in the treasury bill book. <ul style="list-style-type: none"> <li>a) Whether more than one bill book is used at a time for transaction with one treasury.</li> <li>b) Whether the bill books are kept in the personal custody of the drawing officer.</li> </ul> </li> <li>(xi) Whether items of stores works etc. paid for in bills are traceable in the relevant registers viz. stock accounts works registers, measurement books etc.</li> <li>(xii) Signing office copies of bills in full, difference between the entries in the office copies and fair copies of bills in regard to the name of payee endorsee etc. or absence of office</li> </ul>

	copies. (xiii) Non-reconciliation of departmental figures with those of the treasury / Accountant General in regard to P.D. Accounts, whether the balance in the treasury pass book agrees with balance as shown in the accounts maintained by the office and whether prompt action has been taken to get the balance reconciled. When repayments of moneys deposited are made whether necessary notings are made against the original entries in the register.
26.	In the case of purchase of stores, whether the rates paid agree with those shown in the contract or agreement made for the supply of stores.
27.	Whether there are any omissions to furnish certificates of quality and quantity by the passing and receiving Government Servants before payment is made.
28.	Whether the stock account is maintained in the prescribed form.
29.	Whether there are any omission in entering the stores purchased or otherwise obtained in the register concerned.
30.	Whether issues are supported by proper requisitions / indents and acknowledgements from the recipients.
31.	Whether periodical verification of stock is conducted by responsible officer other than the custodian of stores. Whether there is any accumulation of a stock resulting in locking up of capital.
32.	Whether there are any omission to attest the transactions / balances in the stock registers.
33.	In the case of loans and advance paid from the office whether proper accounts have been kept and recoveries watched closely.
34.	In the case of grants whether the utilisation has been watched closely and unutilised grants got refunded.
35.	In the case of revenue earning items ( such as building to be let out, usufructs etc.) whether there is any lapse on the part of the Department in the collection of revenue realisable and whether the prescribed procedure has been followed in auctions etc.
36.	Whether the D.C.B. Statements are prepared correctly and whether adequate action has been taken to collect the arrears.
37.	Whether the log books of vehicle have been reviewed every month to see whether there was any misuse of petrol or idling / misuse of vehicles.
38.	Whether a register of Audit observations received from the Accountant General is maintained and replies to Audit observations are sent promptly.
39.	Whether the controlling officers have discharged their duties properly while countersigning TA bills.
Camp :	
Date :	Asst. Audit Officer / Section Officer
	Supervising Officer
	OA Party No. :



<b>APPENDIX VII</b> <b>( Referred to in para 3.01)</b>	
<b>DEMARCATIION OF DUTIES FOR PERSONNEL IN INSPECTION PARTIES.</b>	
<p>Following is a broad outline of responsibilities and duties of various categories of personnel in Civil Audit Offices. The Audit Officer in charge of the Inspection Party is not however precluded from making certain changes to be indicated by him in writing in the distribution suggested keeping in view the suitability of the individual official for the type of work in hand.</p>	
1.	<p><b>LOCAL AUDIT OF CIVIL OFFICES</b></p> <p><b>A. Audit Officers</b></p> <p>Duties and responsibilities presently assigned elsewhere in the manual are not only important but also sufficiently exhaustive. Review of the schemes executed in a department will in fact be time consuming. Further the Inspecting Officer has to perform the co-ordinating functions to achieve over-all efficiency in performance.</p>
	<p><b>B. Section Officer / Asst. Audit Officer</b></p> <p>(i) Audit of the accounts of receipts;</p> <p>(ii) Audit of the accounts of stores;</p> <p>(iii) Examination of the cash book;</p> <p>(iv) Examination of vouchers for the test months which were submitted to central audit and made available to the party by the headquarters, with original records, contract documents etc.</p> <p>(v) Audit of all vouchers not submitted to central audit;</p> <p>(vi) Verification of drawals and deposits into treasury with reference to treasury records.</p> <p>(vii) Examination of the special points marked for special investigation by central audit.</p> <p>(viii) Audit of works expenditure;</p> <p>(ix) Accounts of stores, equipments etc. received under various foreign aid programme;</p> <p>(x) Departmental inspection reports</p>
	<p><b>C. Senior of the two auditors:</b></p> <p>(i) Examination of service books, service rolls broadsheets and ledgers in respect of PF accounts of Gr.D staff etc.</p> <p>(ii) Obtaining files containing important rules / orders issued by Government in respect of the institution under local audit and matters dealt with by it with a view to study them and also take notes from the Dictionary of References maintained;</p> <p>(iii) Check of disposal of previous inspection reports;</p> <p>(iv) Audit ( triennial ) of taccavi accounts;</p> <p>(v) Audit of expenditure by State Government in connection with large gatherings of political organisations;</p> <p>(vi) Establishment pay bills;</p> <p>(vii) Travelling allowance bills;</p> <p>(viii) Register of undisbursed pay and allowances;</p> <p>(ix) Register of advances;</p> <p>(x) Property accounts i.e. immovable property accounts like land, buildings and other assets.</p>
	<p><b>D. Junior of the two auditors:</b></p> <p>(i) Dead-stock register;</p> <p>(ii) Register of empties;</p> <p>(iii) Stamp account;</p> <p>(iv) Register of deposits;</p> <p>(v) Log books and diaries of Government vehicles;</p>

	(vi) Register of stationery; (vii) Register of uniforms; (viii) Register of books and periodicals; (ix) PF Accounts of Group D employees.
2.	The structure of the civil audit parties in certain offices is two sections officers and one auditor, while the gazetted supervision remains the same. In such a case, the distribution of work could be as under :
	A. Audit Officer :  Same as those in para 1(A) above.
	B. Asst. Audit Officer :  Items (ii), (iii), (iv), (vi) and (ix) under "1(B) Section Officer ", (ii), (vi), (vii) and (viii) under "(C) Senior of the two Auditors" in para 1(C) above.
	C. Section Officer :  Items (i), (v), (vii), (viii) and (x) under "1 (B) Section Officer" and (i), (iii), (iv), (v), (ix) and (x) under "(C) Senior of two auditors" in para 1(C) above.

**APPENDIX-VIII**  
**(Vide Para 8.04c5 , 22 and 8.19(a))**

**No.113-Audit(AP)/6-2003/348**  
**OFFICE OF THE COMPTROLLER**  
**AND AUDITOR GENERAL OF INDIA**

**Date**                    **27-8-2003**

To

All Directors General (Audit)  
Principal Accountants General/Principal Directors (Audit),  
Accountants General (Audit).

Sir,

To introduce uniformity in the drafting/reporting style of the Audit Reports, a “Style Guide” has been prepared in the Headquarters, a copy of which is forwarded herewith.

It is requested that while drafting the Audit reports, the suggestions made in the Guide may please be adopted.

Yours faithfully,

Sd/-  
(A.BASU)  
Director General(Audit)

Encl. As above.

**OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA**

**Style Guide for  
AUDIT REPORTS**

**Introduction**

1. This style Guide is in six parts: general advice on good writing; guidance on drafting; a list of conventions which must be followed in IA&AD; an A to Z of common errors and weaknesses and list of words and phrases to be used with care.
2. Many of the rules are arbitrary and the judgements prescriptive. Nobody is likely to agree with them all, but they should be applied in the interests of consistency and to save time in re-drafting and proof reading.
3. The guide is written in the context of our audit reports, but the message it promotes applies to all our official writing: to produce drafts that are clear, readable and interesting. It is not intended to set up a single drafting model. But the Style Guide does seek to encourage the use of plain, simple English—short words, short sentences and short paragraphs.

**1. General Advice on good writing**

- 1.1. Clear writing depends on clear thinking. To draft well a writer must know just what meaning he wishes to convey.
- 1.2. You can usually say what you want in short every day words. This is especially important if you are writing about a complex subject. Readers will need all their attention to grasp what they are being told. They don't want to spend time grappling with obscure language as well.
- 1.3. Orwell observed 'A scrupulous writer in every sentence that he writes will ask himself at least four questions. What am I trying to say? What words will express it? What image or ideas would make it clearer? Is this image fresh enough to have an effect? And he will probably ask himself two more: Could I put it more shortly? Have I said anything that is avoidably ugly?' So think what you want to say, then say it as simply as possible. Keep in mind the following elementary rules
  - Ø avoid clichés and slang;
  - Ø never use a long word when a short word will do;
  - Ø if it is possible to cut out a word, always cut it out;
  - Ø never use a foreign phrase, a scientific word or a jargon word if you can think of a straightforward English equivalent. Use the language of everyday speech, not that of accountants, computer experts, bureaucrats and lawyers;
  - Ø avoid a desire to impress. Your job is to help readers understand you readily and precisely and not to show them how clever you are; and
  - Ø do your best to be lucid. Simple sentences and short paragraphs help to break down slabs of text into manageable chunks. Avoid complicated constructions and gimmicks.

### **How long is long?**

1.4. For writers, long sentences are difficult to construct well. The longer they get the more risk there is of ideas becoming confused. For readers, long sentences are hard work

1.5. So how long is long? Readers seem to be comfortable with an average sentence length of 15-20 words in most circumstances. Most writers are capable of writing such sentences without much effort. Occasionally longer sentence is necessary, but beware of using such long sentences regularly. Sometimes, a very short sentence can be useful to punch home an idea. It catches the reader's attention and stops him skimming over important facts.

1.6. Use short paragraphs- none should be longer than a third of a typed page. Use indents freely to list main points and get your message across more clearly; make more use of side-headings; and give paragraphs minor sub-headings.

## **II. Drafting reports**

### **Objectives of reports**

2.1. Reports are the principal means by which the IA&AD meets its primary objective of providing Parliament and State Legislatures with independent information and assurance. They are written for the Parliamentary reader or the PAC, and beyond that for the wider public. They are not written to be read as a dialogue between the IA&AD and the audited body and are not therefore reports in any 'expert to expert' category.

So the reports need to get their essential messages across clearly and simply to an audience who probably do not need or wish to know the details and complexities surrounding the subjects examined.

2.2. For every report, meeting these objectives means putting a premium on:

- ∅ having a strong, clear report structure;
- ∅ avoiding a temptation to include as much as possible of the information and analysis gathered during the investigation to support IA&AD findings and conclusions;
- ∅ concentrating less on narrative descriptions of how things are done and more on why they are done, how well they are controlled and the results achieved; and
- ∅ used hard evidence and telling examples to reinforce the messages in the report

2.3. All drafts must pay close regard to the reporting objectives summarized above. It is not acceptable for drafts to be submitted on the basis that as much as possible should be included and that streamlining, selection and re-arrangement will be catered for by subsequent redrafting up the line.

### **The IA&AD style of report writing**

2.4. Writing audit reports is not so different from writing any other kind of informative writing. To give our readers a comfortable ride, use verbs actively, write short sentences and keep to the essentials. The more complex the subject the simpler the style should be. Our aim should be reports which set out the facts in a series of short crisp paragraphs.

Drafting this way is not always easy. Everyone will have to be ruthless in revising their own material and rejecting what is not up to scratch. Always look critically at your finished work to see if you can answer 'yes' to following questions.

Structure

Does it have a strong, clear framework which presents the material logically and to best effect?

Is it clear?

Does it get its main message across on first reading?  
Will the language be clearly understood by the reader?  
Is it free from jargon?

Simple and brief?

Does it concentrate on the main issues, avoiding aspects which are peripheral?  
Does it give only essential facts?  
Does it include only essential words and phrases?

Accurate?

Is the information correct?  
Are the findings supported by evidence?  
Is the writing free from errors in grammar, spelling and punctuation?

Complete?

Does it give all the necessary information?  
Does it answer all the important questions?

Balanced and fair?

Does it present both sides of the argument?  
Does it reflect good performance and good VFM by the audited body as well as criticisms?  
Are the audited body's views properly reflected?  
Is the language used moderate and non-provocative?

Constructive?

Does it consider the feasibility of recommendations made?  
Does it look forward to improvements rather than back at faults and weaknesses?

**Length of reports, paragraphs, reviews and appendix**

2.5. As a rule of thumb, maximum length of the report (excluding overview and appendix) should be 120 typed pages. Overview should not normally exceed about eight to ten typescript pages. Length of the appendix should be less than 30 pages. Transaction Audit paragraphs should not normally exceed two pages. Except All India reviews, other reviews should be confined to 20 typed pages.

**Structure of reviews**

2.6. There is no ideal drafting model which is suitable for all reviews. A rigid format could become cumbersome and unimaginative. The main consideration is how the facts, figures and conclusions on a particular subject can most effectively be communicated and what form of presentation best meets that purpose.

2.7. There are two main structures adopted:

- Ø a 'straight through' review incorporating recommendations in the main text:
- Ø a review preceded by 'highlights' and ending with 'conclusion' containing recommendations

2.8. Long reviews of about 15 pages should normally be preceded by ‘highlights’ containing the main findings. The ‘highlights’ should be concise ((not more than 3 pages), but should sufficiently bring out the main issues to provide the reader with a clear view of the purpose and results of the review.

2.9. The ‘highlights’ is not intended to be free standing, mini-report and should contain the minimum of description and narrative. It is not always necessary for matters dealt with in the ‘highlights’ to follow the same sequence or be under the same headings as in the main text of the review: sometimes, for example, it may be desirable to arrange the ‘highlights’ according to the materiality of audit findings. However structured, the ‘highlights’ should cross-refer to the relevant paragraphs in the report.

2.10 The review should be free –standing- ie. capable of being read without the need to refer to other source material or other published information. It is a condensed description of main issues, findings and conclusions; and supporting facts. The essential approach should be:

- Ø bring out the really important matters;
- Ø play down the less important;
- Ø omit the unimportant; and
- Ø generally be selective and concentrate on IA&AD analysis rather than descriptions and narratives.

### **Appendix**

2.11. If the main text of audit report involves detailed analysis of complicated issues, or statistics, these should normally be set out in an appendix. But don’t use appendices simply to display how much information you have collected. They are not a vehicle for including descriptions of detailed systems of procedures operated within the audited body. Material should always be relevant and support the case being made. Appendices need to be drafted and edited just as carefully as the main text. As a rule of thumb, if information on less than five items is to be provided, the details may be incorporated in the main text itself, rather than as an appendix.

### **Diagrams, tables etc**

2.12. Full use should be made of facts, figures and relevant examples to give life to the report and to point the reader to significant issues and conclusions. Diagrams, charts, graphs and tables should be used to help get across important messages; and these should be where appropriate included in the text, not only in appendices. These can save a lot of explanation and –provided they are simple and well laid out- can often convey more in a short space than stretches of narrative.

### **Glossary**

2.13. Abbreviations in reports should be kept to a minimum. Where five or more abbreviations (or specialized terms) are necessary in the report then all abbreviations and terms used should be listed in a glossary at the end of the report.

## **III. IA&AD conventions which must be used**

### **Abbreviations**

3.1. Keep the use of abbreviations to a minimum, particularly where they are likely to be unfamiliar to the reader. Observe the following rules:



- Ø all abbreviations are potentially an affront to the reader since they are used for your benefits and not his;
- Ø do not use abbreviations for bodies which are referred to only a handful of times in a report- the reader will have forgotten what they mean and will have to look back to check up;
- Ø if you must use an abbreviation write the words in full on their first appearance followed by the initials in brackets;
- Ø ring the changes by referring to 'the Ministry', 'the Department', 'the Commission' etc;
- Ø normally avoid using abbreviations in the 'overview' and 'highlights, particularly if the words in full are explained only in the text;
- Ø abbreviations that can be pronounced do not need the definite article (e.g., UNESCO). All other abbreviations do(e.g., the CAG, the GOI )

### ***Active not passive***

3.2. *Wherever possible write actively. Overuse of passive verbs is one of the most common causes of unclear writing. So say 'Audit examined this account' and not 'an examination of this account has been carried out by Audit'. To convert passive into active change either the verb: 'expenditure was reduced by Rs. 10 lakh' to 'there was reduction in expenditure of Rs.10 lakh' or the subject; ' payment was authorised by the Executive Engineer' to Executive Engineer authorised the payment'.*

### **Apostrophes**

3.3. Use normal possessive ending 's after singular words or names that end in s: boss's, Jones's.. Use it after plurals that do not end in s: media's. Use the endings ' on plurals that end in s: companies' - including plural names that take a singular verb(e.g., Reuters')

### **Capitals**

3.4. A balance needs to be struck between using too many and too few capital letters. Here there can be no general rule, but two pieces of advice may be given:

- Ø The particular and the general: Use a capital for the particular and a small for the general. For e.g., 'it is a road leading out of Bharakhamba Road'
- Ø Consistency: Whatever practice you adopt, be consistent through out any document you are writing.

### **Chapter numbers**

3.5. Use roman numerals (I,II,III.....) for chapter numbers.

### **Dates**

3.6. Do not put commas in dates. Use any of the following formats:

- Ø 26 May
- Ø Monday 26 May
- Ø 26 may 2003
- Ø 26-30 May 2003

Ø 26 May-5 June 2003

Ø 2002-03

Ø 26/5/2003

### **Figures**

3.7. Never start a sentence with a figure; write the number in words instead; Use figures for numerals greater than nine and for all numerals that include a decimal point or a fraction. Use words for whole numbers from one to nine. Fractions should be hyphenated (two-thirds). Spell out lakh and crore. Do not use abbreviations for lakh and crore except in tables.

Do not mix decimals and fractions: thus use either 3½ lakh or 3.5 lakh but not both.

Use commas appropriately while writing figures (12,34,56,789.99).

Numbers greater than 100 lakh should be expressed in crore and numbers less than 100 lakh in lakh.

Use 2,000 – 3,000, 2 lakh – 3 lakh (not 2-3 lakh). But ‘costs rose from Rs. 2 lakh to Rs.3 lakh’ (not Rs. 2lakh – Rs. 3 lakh).

### **Font**

3.8. Use font size of 12 in the text of report. Even tables and charts do not use font size of less than 8

### **Page numbers**

3.9. Use Roman numbers ( i ,ii, iii, ..... ) for the part of the report containing contents, preface and overview of the report. Use Arabic numbers for the main text and appendices in the report. Never use alpha-numerals (12A,12B) for page numbering.

### **Paragraph numbers**

3.10. Never use alpha-numeric coding(3.2A.1) for paragraph numbers. Also avoid a mix of Roman-Arabic numbers(3.4.(iv)).

Use Arabic numerals for paragraph numbers. The first digit of the paragraph number should indicate the chapter number. For e.g.,, the first digit of a paragraph in Chapter III should be 3. The paragraphs and sub-paragraphs should be numbered as 3.1,3.1.1 etc.

Do not use more than 3 levels in paragraph numbering (e.g. 3.1.12.)

### **Percentages**

3.11. Write percent rather than % and percentage rather than %age. A range of values should be expressed as 10-12 percent, not 10%-12 or 10 percent -12 percent.

Do not use a percentage, a proportion, or a fraction when you mean some, as in: substantive testing proved worthwhile in a percentage of cases.

### **Preface**

3.12. Introduction to the report should be titled ‘Preface ‘ and not ‘Prefatory remarks’.

### Singular/plural

3.13 There is no rule about whether a verb that agrees with a single collective noun should be singular or plural. However, use 'a number are' and 'the number is'.

- ∅ In using collective nouns, the plural is more suitable when the emphasis is on the individual members and the singular verb when it is on the body as a whole. For e.g., the committee were unable to agree and a committee was appointed.
- ∅ Do not use a singular verb where two singular nouns are linked by 'and' unless the linked words are so closely associated that they might also be hyphenated
- ∅ For words linked by 'with' use singular verb if the subject is singular . The Minister together with the Secretary is coming.
- ∅ When each is the subject of a sentence, the verb is singular and so is pronoun. For.e.g., each has a room to himself.
- ∅ Certain nouns are often misused. Remember agenda is singular and data is plural. Thus it is wrong to write 'data that is four to twelve years old is of limited use.'
- ∅ The IA&AD and Government Departments should always be treated as plural nouns.

## IV. A to Z of common errors and weaknesses

### A or An

4.1 use *an* in place of *a* when it precedes a vowel *sound*, not just a vowel. That means it's 'an honor' (the h is silent), but 'a UFO' (because it's pronounced yoo eff oh ).Some people think it's wrong to use 'an' in front of an abbreviation(like 'MRI') because 'an' can only go before vowels. The sound is what really matters. It's 'an MRI' ( you pronounce it 'em ar eye')

### Adverbs

4.2. Put them where you would in normal speech, which is usually after the verb.

### Among versus Between

4.3. The simple rule will rarely fail you: use *between* for two things, *among* for more than two.

### Alternative

4.4. Strictly this means one of two, not one of three, four, five or more. Options should be used when more than two are meant.

### Ampersands

4.5. Should be used in three ways:

- ∅ When they are part of a company or body(IA&AD)
- ∅ When two names are linked to form one unit(Trade& Industry).
- ∅ In R&D

### Anticipate

4.6. Does not mean expect but to use in advance. Probably best avoided since it is often misused

### Basically

4.7. Almost always useless. Qualifiers such *basically*, *essentially* and *totally* rarely add anything to a sentence; they're the written equivalent of 'Um'.

### Circumstances

4.8. Stand around a thing: therefore correctly it is in the circumstances not under them.

### Colon

4.9. To be used:

∅ To mark more sharply than a semicolon the antithesis between two ideas:

This year the department is short of funds: next year it will have money to burn

∅ To precede an explanation or to introduce a list of series:

The Government Account consists of 3 parts: the Consolidated Fund, the Contingency Fund and the Public Account.

### Comma

4.7. Use commas sparingly and as an aid to understanding. Too many in one sentence can be confusing.

Generally used:

∅ to mark off less important statements within a sentence:

∅ to break long sentences into easily understood parts:

∅ to separate items in a list.

### Compare

4.8. **X** is compared with **Y** when drawing attention to the difference ( compared with last year's poor results, 1986-87 was a good year): **X** is compared to **Y** when stressing their similarity (as in 'shall I compare thee to a summer's day').

### Compound

4.9. This word is often misused. It does not mean to make worse, to multiply or to complicate. It means to mix together, to settle by mutual agreement or to condone for a consideration. Probably best avoided

### Comprise

4.10. The meaning is composed of . DTI comprises Trade and Industry: Trade and Industry make up (not comprise) DTI.

### Continual versus continuous

4.11. *Continual* means 'happening over and over again'; *continuous* means 'happening constantly without stopping'. If you're *continually* on the Internet, it means you keep going on; if you're *continuously* on the Internet, it means you haven't gone off at all.

**Convince**

4.12. Is not a synonym for persuade. The C&AG was persuaded to award a 10 percent increase: he was convinced of the wisdom of doing so only after the wastage rate had risen to 100 percent

**Currently**

4.13 What's wrong with *now*? Or even leaving it out altogether and letting a present-tense verb do the trick? *It is currently not available* is the same as *It is not available* or *It is not yet available*.

**Decimate**

4.14. Strictly this means to reduce something by a tenth, not to destroy a large proportion. Probably best avoided.

**Different**

4.15. Different from not to or than.

**Disinterested**

4.16. Means impartial and not uninterested. 'Uninterested' means unconcerned or indifferent.

**Due to**

4.17. Its three main meanings:

- Ø Owed to, as in: Rs. 1 lakh of fees is due to the IA&AD
- Ø Arranged or timed to, as in: the VFM Report is due to be completed in May.
- Ø Because of: when used to follow a noun, as in: the cancellation, due to the election, of not it was cancelled due to the election.

**Effectively**

4.18. Means with effect: if you mean in effect, say so. 'The matter was effectively dealt with in committee' means it was well done in committee.

'The matter was, in effect, dealt with in committee' means it was more or less attended to in committee.

**E.g. versus i.e.**

4.19. The abbreviation *e.g.* is for the Latin *exempli gratia*, 'for example'. *I.e.*, Latin *id est*, means 'that is'. They're not interchangeable. Both the abbreviations should be followed by a comma.

**Estimated**

4.20. Avoid 'an estimated Rs.10 lakh', use instead 'about Rs.10 lakh' or 'it was estimated as Rs.10 lakh'.

**Factor**

4.21. A hackneyed word; the expressions of which it forms part can usually be replaced by something more direct and idiomatic. For e.g., instead of saying 'His superior training was the great factor in his winning the match' use 'He won the match by being better trained'.

### **Farther versus Further**

4.22. Though very few people bother with the difference these days, there is a traditional distinction: *farther* applies to physical distance, *further* to metaphorical distance. You travel *farther*, but pursue a topic *further*.

### **Finally**

4.23. Do not use finally when you mean lastly or at last. Thus, it is illogical to write Public Expenditure finally fell below Rs.100 crore because it may rise above it again in the future.

### **Flaunt**

4.24. Means display: Flout means show contempt for.

### **Foreign words and phrases**

4.25. Avoid them unless there is no everyday English alternative.

### **Full stops**

4.26. A full stop marks the natural conclusion of the small package of information that has been offered in a sentence.

Do not use full stops at the end of headings or in abbreviations. Full stops should be used to mark the end of sentence and mark a stronger break between ideas than a comma, semicolon or colon.

### **Get**

4.27. Be sparing with this verb. Thus : BALCO did not get privatised: It was privatised.

### **Hopefully**

4.28. This adverb means 'full of hope'. Thus you may begin writing a draft report hopefully, but never write: Hopefully, the VFM investigation will be finished in 1989. It is better to say: If all goes to plan (or with great good luck)...

### **However**

4.29. In the meaning *nevertheless*, not to come first in its sentence or clause.

Incorrect	Correct
The roads were almost impassable. However, we at last succeeded in reaching camp.	The roads were almost impassable. At last, however, we succeeded in reaching camp

When *however* comes first, it means *in whatever way* or *to whatever extent* For e.g.

However you advise him, he will probably do as he thinks best.

However discouraging the prospect, he never lost heart.

## Hyphens

4.30 Use them in the following words:

- Ø Fractions
- Ø Most words beginning with anti and non: anti-government (but note anticlimax, antitrust) non-combatant, non-payment (but note nonaligned, nonstop)
- Ø A sum of money followed by the word worth: Rs. 10 lakh-worth of stocks
- Ø To avoid ambiguities: a little-used vehicle (low mileage) and a little used-vehicle (an old Mini)
- Ø Separating identical letters: Book-keeper, re-entry, pre-eminent.
- Ø Nouns formed from prepositional verbs: build-up, call-up, get-together, shake-up.

A list is attached of commonly used words which do not require a hyphen

## Information overload

4.31 As discussed earlier, do not provide all the details you have just because you have it. Information overload can distract reader's attention from the main issue. For e.g., while making a comment on the non-utilisation of a building constructed at a cost of Rs.55 lakh for more than 3 years, do not discuss salary of Rs.1.25 lakh paid to a watch and ward for the security of the building.

## Inverted commas

4.32. If an extract ends with an exclamation or question-mark, put the punctuation before the closing inverted commas: The Director said to him, ' Haven't you finished that draft yet?'

If the question or exclamation mark is part of a lengthy sentence within which the quotation stands, put it outside the inverted commas: Why did the Director say, ' Haven't you finished that draft yet?'

## -ise or -ize?

4.33 Always use -ise for it will never be wrong, whereas -ize sometimes will be: criticise, solemnise etc.

## It's versus Its

4.34 There's no shortcut; all you can do is memorise the rule. *It's* with an apostrophe means *it is* (or, a little less often and a little less formally, *it has*); *its* without an apostrophe means *belonging to it*.

## Jargon

4.35 The C&AG's Reports are not addressed to IA&AD staff or to the audited bodies, but to the Parliament and the public jargon must therefore be avoided, especially legal and technical terms and those conventional phrases invented by government departments that are unintelligible to outsiders. You may have to think harder if you do not use jargon, but you can still be precise. You should ask yourself- will the reader understand this term properly? Could I replace it with every day language? Should I still use the term but explain it?



Read through your completed draft, and try to remove all jargon to make the result intelligible to every body.

### **Less and fewer**

4.36. Less qualifies degree, quantity or extent and takes a singular noun. Fewer relates to number and takes a plural noun. Thus: less spending; less distance; fewer miles, fewer opportunities.

### **Literally**

4.37. Use the word *literally* with care, and only where what you are saying is *literally* true. ‘We were *literally* flooded with work’ is wrong because the flood is a metaphorical one, not an actual deluge. Don’t use *literally* where *really*, *very*, or *extremely* will do.

### **Majority**

4.38 Do not use the major part or majority when most should be adequate: reserve them for occasions when the difference between a majority and a minority is significant. Thus: the majority of CIPFA students is likely to vote for the proposal.

### **-ment**

4.39. Avoid adding –ment to verbs indiscriminately; Do not use words like schedulement, reallocationment etc.

### **Metaphors**

4.40. Metaphors can be useful, enabling ideas to be conveyed succinctly without tedious explanation. But used indiscriminately they become stale and lack precision. Orwell put it as follows: ‘A newly invented metaphor assists thought by evoking a visual image, while, on the other hand a metaphor which is technically ‘dead’ has in effect reverted to being an ordinary word and can generally be used without loss of vividness. But in between these two cases there is a huge dump of worn-out metaphors which are merely used because they save people the trouble of inventing phrases for themselves.

### **Multiple/negatives**

4.41. Avoid using multiple negatives in a sentence. For e.g., ‘common’ could be used instead of ‘not uncommon’

### **Nature**

4.42. Often simply redundant, used like character. For e.g., ‘Acts of hostile nature’ could be replaced with ‘Hostile acts’

### **None**

4.43. None takes a singular verb. So does neither X nor Y, unless Y is plural. For example, neither the minister nor the officers have done it- where the verb agrees with the element closest to it.

### **Nor**

4.44. Although there are other possibilities, you can’t go wrong if you use *nor* only after the word *neither*: instead of ‘Keats did not write novels nor essays’, use either ‘Keats did not write novels or essays’ or ‘Keats wrote *neither* novels *nor* essays’. (You *can*, however, say ‘Keats did not write novels, nor did he write essays’)

### Only

4.45. Put only as close as possible to the word it qualifies if it could reasonably be thought ambiguous elsewhere. Thus: these sections produce accounts only in September. To say that they only produce accounts in September could suggest to a careful reader that in September they do nothing else or that in other months they do something other than 'produce' them.

### Optimum

4.46. Optimum is not an alternative for best. It should be used only of the product of conflicting forces. An auditor's optimum work rate is not the fastest he can do but the rate which reconciles in the most satisfactory way the conflicting needs for speed, accuracy and a satisfactory result.

### Paragraphs

4.47. Long paragraphs can confuse the reader. One thought-one paragraph.

### Parameter

4.48. Parameter is a mathematical term with a precise meaning. It is normally better to use boundary, limit, framework or condition.

### Particular

4.49. This particular word, in many particular circumstances, serves no particular purpose. Give particular attention to the particular prospect of cutting it out.

### Per

4.50. Avoid the habit of using *per* instead of *according to*, as in *per manufacturer's guidelines*

### Plus

4.51. The use of the word *plus* where *and* or *with* would be better is a bad habit picked up from advertising copy. Try to limit *plus* to mathematics, and use *and* or *with* where they're appropriate.

### Presently

4.52. Does not mean at present but soon. Example: Presently the department will act on their decision. Probably best avoided.

### Punctuation

4.53. The specific punctuation marks are dealt with in the relevant section of this guide; However, remember that:

- Ø The only purpose of punctuation is to make clear to the reader what you want to say
- Ø Keep punctuation marks to a minimum.

### Semicolon

4.54. No hard and fast rules here, except to encourage consistency throughout a report. Remember that a semicolon is simply a stronger version of the comma.

### Shall versus Will

4.55. *Will* is usually the simple future indicative: 'This *will* happen'. 'You *will* be surprised'. *Shall* is related to the subjunctive, and means 'Let it be so', which you might see in legal or business writing: 'The employee *shall* produce all required documentation', 'A committee *shall* be appointed' and so forth. ( They're not just predicting that the employee's going to do it or the committee is going to form;

they're declaring that they *must*, or at least *should*, happen.) But this rule works only for the second person(*you*) and the third person(*he, she, it, they*). The first person—*I* and *we* --reverses the rule, so 'I *shall* do it' means I'm going to get around to it, while 'I *will* do it' shows a mustering of resolve (let it be so).

### Sentences

4.56. These must be short and have unit of thought.

### Short words

4.57. Should always be used in preference to long words unless there is a good reason not to. Use the language of every day speech; Not that of auditors; Accountants. Lawyers. Bureaucrats and computer experts.

### So

4.58. Avoid using 'so' as an intensifier, as in 'It's so hot', unless there's a *that* clause (though the word 'that' needn't appear in less formal writing): For e.g., 'It's so hot that the asphalt is melting'. Usage of 'so' instead of 'very' is a no no.

### Spelling

4.59. Always use English spelling and not American. A list of commonly mis-spelt words is attached.

### That versus which

4.60. The relative pronoun *that* is restrictive, which means it tells you a necessary piece of information about its antecedent: for example, 'the word processor *that* is used most often is WordPerfect'. Here the *that* phrase answers an important question: which of the many word processors are we talking about: And the answer is the one that is used most often.

*Which* is non-restrictive: it does not limit the word it refers to. An example is Penn's ID center, *which* is called CUPID, has been successful so far. Here *that* is unnecessary: the *which* does not tell us which of Penn's many ID centers we're considering; it simply provides an extra piece of information about the plan we're already discussing. 'Penn's ID Centre' tells us all we really need to know to identify it.

It boils down to this: if you can tell which thing is being discussed without the *which* or *that* clause, use *which*; if you can't, use *that*.

### Unnecessary words

4.61. Comments made in the side-margins and tables should be complete English sentences. Avoid a temptation to save space by omitting verbs like *is, are, was, were, etc.* in the sentences contained in tables and side-margins.

### While

4.62. Avoid the indiscriminate use of this word for *and*, *but*, and *although*. Many writers use it frequently as a substitute for *and* or *but*, either from a mere desire to vary the connective, or from uncertainty which of the two connectives is the more appropriate. In this use it is best replaced by a semicolon. For e.g., instead of 'The office and salesrooms are on the ground floor, while the rest of the building is devoted to manufacturing' use 'the office and salesrooms are on the ground floor; the rest of the building is devoted to manufacturing'.

### Who versus whom

4.64. While it's possible to memorise a rule for distinguishing *who* from *whom*, it's easier to trust your ear. A simple test to see which is proper is to replace *who/whom* with *he/him*. If *he* sounds right, use *who*; if *him* is right, use *whom*. For example: since *he did it* and not *him did it*, use *who did it*; since we give something *to him* and not *to he*, use *to whom*. It gets tricky only when the preposition is separated from the *who*: *who/whom did you give it to?* Rearrange the words in your head: '*To whom did you give it?*'

### Would versus should

4.65. A conditional statement in the first person requires *should*, not *would*. For *e.g.*, I should not have succeeded without his help.

The equivalent of shall in indirect quotation after a verb in the past tense is should, not would. For *e.g.*, He predicted that before long we should have a great surprise.

## V. Words and phrases to be used with care

### 5.1. Unnecessary words

Instead of	Write
A great deal of	Much
A majority of	Most
A number of	Many; few
Accounted for by the fact that	Because
After the conclusion of	After
Along the lines of	Like
At the present time	Now; at present
Based on the fact that	Because
By reason of	Because
Call a halt to	Stop
Come to an end	End
Consensus of opinion	Most agree/consensus
In connection with	About
In order to	To
In respect of	About
In relation to	About
In the course of	During; at
In the event of	If there is
In this connection	About; this
In view of the fact that	Since; because
Is dependent upon	Depends on
Is equipped with	Has
Is such that	Is
Is to be found	Is
It is known that	I know; we know etc.
It may be that	If
It was found that	I found : we found etc.
Lies in the fact that	Is because
Due to the fact that	Because
During the time that	While
For the purpose of	For; to
For the reason that	Because
From the standpoint of	For
Higher degree of	Higher; more
In consequence of	Because

In addition to	Also; besides
In close proximity to	Close to
More economically viable	Cheaper
One of the reasons	One reason
On the part of	By
Owing to the fact that	Because
Subsequent to	After
Take steps to	Start
The question as to whether	Whether
There is reason to believe	I think, we think
This is a subject that	This
Through the use of	By; with
With a view	So that
With reference to	About
With regard to	About
With the exception of	Except for
Worthy of consideration	Should be considered

### 5.2. Cut out words such as

According to  
 As far as.....is concerned  
 In respect of  
 In terms of  
 Found to be  
 Having regard to  
 In a ..... condition.  
 Other things being equal

### 5.3. Words which do not require a hyphen

<b><u>One word</u></b>	
Airfield	Postwar
Bypass	Prewar
Ceasefire	Profitmaking
Comeback	Seabed
Commonsense(adj)	Shipbuilding
Forever	Shipbuilders
Halfhearted	Soyabean
Handout	Stockmarket
Handpicked	Subcommittee
Lacklustre	Subcontinent
Machinegun	Submachinegun
Nevertheless	Takeover
Nonetheless	Underdog
Offshore	Underpaid
Onshore	Wartime
Overpaid	Workforce
Override	Worldwide
Petrochemical	Worthwhile
Policymaker	
<b><u>Two words</u></b>	
Air base	Coal miner
Air force	Common sense(noun)
Aircraft carrier	Under way

At least	Well known
Ballot box	

<b><u>Three words</u></b>	
Capital gains tax	In so far
In as much	

#### 5.4. Plurals

##### **-Oes**

Cargoes  
Echoes  
Embargoes  
Manifestoes  
Noes  
Potatoes  
Provisoes  
Tomatoes  
Tornadoes  
Torpedoes  
Vetoes  
Volcanoes

##### **-os**

Commandos  
Embryos  
Folios  
Ghettos  
Silos

##### **-ies**

Monies

##### **-eus**

Bureaus  
Plateaus

##### **-eaux**

Chateaux

##### **-uses**

Buses  
Circuses  
Focuses  
Geniuses  
Prospectuses

##### **-i**

Termini  
Nuclei  
Stimuli

##### **-ums**

Crematoriums  
Forums  
Memorandums  
Moratoriums  
Quorums  
Referendums  
Sanatoriums

##### **-a**

Consortia.  
Corrigenda  
Data.  
Media  
Phenomena  
Strata

##### **-ves**

Wharves  
Lives

##### **-fs**

Dwarfs  
Roofs

##### **-as**

Agendas

##### **-ae**

Formulae

##### **-exes**

##### **-ices**

Indexes (of books)

Indices

(indicators/index numbers)

**5.5. Correct spellings of words that are commonly mis-spelt**

Accommodate	Acknowledgement	Advisor	
Advisory	Aeroplane	Aesthetic	
Aging	Battalion	Benefited	
By	law	Channelled	Connection
Defendant	Dependant(noun)	Dependent (adj)	
Détente	Disk (in computer context)	Disc (other contexts)	
Dispatch	Enrol	Enrolment	
Ensure(make certain)	Insure(against risks)	Farther(distance)	
Further(additional)	Focused	Focusing	
Forbid	Forgo (do without)	Forego ( precede)	
Forestall	Fulfil	Fulfilling	
Fullness	Incur	Incurring	
Inoculate	Inquire, Inquiry	Install	
Instalment	Installation	Intransigent	
Labelled	Learnt	Levelled	
Licence (noun)	License (verb)	Manoeuvre	
Manoeuvring	Mileage	Occur	
Occurring	Paediatric	Practice (noun)	
Practise (verb)	Principal (head/adj)	Principle (code of conduct)	
Program (in computer context)	Programme (in other context)	Recur	
Recurrent	Recurring	Sanatorium	
Seize	Specialty (in context of Medicine ,Steel and chemicals)	Speciality ( in other contexts)	
Strategy	Superseded	Trade unions	
Trade Union Congress	Vaccinate	Withold	
Word processor			

**5.6. Official words and alternatives worth considering**

<b>Instead of</b>	<b>Consider</b>	<b>Instead of</b>	<b>Consider</b>
Absence of	No; none	Disseminate	Spread
Accede to	Grant; allow; agree	Diminish	Drop; lesson; reduce
Accompanying	With	Disclose	Tell; show
Accomplish	Do	Disburse	Pay
In accordance with	Because of; under	Discrete	Separate
Is in accordance with	Agrees; follows	Discontinue	Stop; end
Accordingly	So	Dispatch	Send
According to the records	The records show	Dominant	Main
Additional	Extra; more	Donate	Give
Adjustments	Changes	Due to the fact that	Because; as



Admissible	Allowed	Duration	Time
Adumbrate	Sketch; outline	Emphasise	stress
Advantageous	Useful; helpful	Enable	Allow
Aggregate	Total	Endeavour	Try
A large number of	Many; most	Enquire	Ask
Alleviate	Ease; reduce	Enquiry	Question
Alternatively	Or	Entitlement	Right
Ameliorate	Better; improve	Equivalent	Equal; the same
Annexure	Annexe	Erroneous	Wrong
Anticipate	Expect	Establish	Show; find
Apparent	Clear; plain; obvious	Evaluate	Test; check
Appreciable	Large; great	Evince	Show; display
Application	Use	Exceptionally	Only when; in this case
Apprise	Inform; tell	Excessive	Too many; too much
Ascertain	Find out	Excluding	Apart from
At an early date	Soon	Exclusively	Only
Commence	Begin; start	Exempt from	Free from
Auditee	Audited body	Expedite	Hurry; hasten
Component	Part	Expeditionally	As soon as possible; quickly
Concerning	About; on	Extend	Current; in force
In connection with	About	Fabricate	Make
As a consequence of	Because	Facilitate	Help; assist
Consequently	So	Factor	Reason; cause; feature
Constitute	Make up; form	Following	After
Customary	Usual; normal	For the duration of	During; while
Deem	Treat as; consider	For the purpose of	To
Defer	Put off; delay		
Deficiency	Lack of	Forthwith	Now; at once
Denote	Show	Forward	Send
Desire	Wish	Determine	Decide
Function(verb)	Work; operate ;act	Obtain	Get; receive
Furnish	Give	Occasioned by	Caused by
Furthermore	Then ;also	On behalf of	For
Generate	Produce; give	On the grounds that	Because
Implement	Carry out; do	Ordinarily	Normally; usually
In accordance with	As; under	Otherwise	Or
In addition to	Also	Overall	Total; supreme; generally;
			overriding
Infructuous	Wasteful	Owing to	Because
In case of	If	Partially	Partly
In connection with	For; about	Participate	Take part in
In conjunction with	And; with	Particulars	Details; facts

In consequence	Because; as	Permissible	Allowed
In excess of	More than	Peruse	Read; look at
Indicate	Show	Pursuant to	Under
Inform	Tell	Practically	Almost; nearly
In isolation	By itself	Predominant	Main
Initiate	Begin; start	Prescribed	Set; fixed
Institute	Begin; start	Preserve	Keep
In lieu of	Instead of	Principal	Main
In order to	To	Prior to	Before
In receipt of	Get; have; receive	Proceed	Go
In relation to	About	Provided that	If; as long as
In respect of	About; for	Provisions	Rules; terms
In the course of	In; while; during	Purchase	Buy
In the event of	If	Regarding	About
Irrespective of	Whether or not; even if	Reimburse	Repay; pay back
Issue	Give; send	Remainder	The rest
Jeopardize	Risk	Remittance	Payment
Locate	Find	Remuneration	Pay; wages; salary
Magnitude	Size	Render	Send; make; give
Major	Main; important; big; chief	Report	Tell
Manufacture	Make	Represents	Shows; stands for; is
Mandatory	Compulsory	Request	Ask
Material	Relevant; significant	Require	Need
Marginal	Small; slight	Retain	Keep
Modification	Change	Reverse	Back
Necessitate	Need; make necessary	Revised	New; changed
Notify	Tell; let...know	Select	Choose
Notwithstanding	Even if; despite; still; yet	Solely	Only
Nevertheless	But; however	Submit	Send; give
Subsequently	Later	Subsequent to	After
Substantial	Large; great; a lot of	Sufficient	Enough
Supplementary	Extra; more	Terminate	Stop; end
Thereafter	Then; afterwards	Timeously	In good time
Transmit	Send; forward	To date	So far
To the extent that	If; when	Ultimately	In the end; at last
Unavailability	Lack of; absence	Uniform	Same
Utilise	Use	Undertake	Agree
Variation	Change	Virtually	Almost
Visualise	See; predict; imagine	Whereas	But
With reference to	About	With regard to	About; for

With respect to	About; for		
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**FORM I****Register of Local Audit**

(Vide Para 2.02(i) and item (i) of Annexure to Chapter 2)

Sl. No.	Name of Institution	Periodicity	No. of days allowed	Date of last audit	Date of audit			Authority	Remarks
					2006 - 2007	2007 - 2008	2008 - 2009		

**FORM II**  
**Register for noting points to be examined during local inspections**

( Vide Item (ii) of Annexure to Chapter 2)

Sl.No.	Reference to order file of Inspection Report	Brief narration of the points to be examined at the time of local inspection	Date on which extracts sent to Inspecting Officer	Result of examination	Final disposal
1	2	3	4	5	6

**FORM III ( S.Y. 336)****Register for watching the Receipt and Issue of Inspection Reports**

( Vide Para.8.07 and item (iii) of Annexure to Chapter 2)

Sl. No.	Name of office inspected	Name of Inspecting Officer and Staff	Months up to which the account is now audited	Date of audit		Due date for receipt of Draft Report from the Inspecting Officer	Particulars of reminder issued in case of non-receipt of IR by the due date	Date of receipt of Draft report .
				From	To			
1	2	3	4	5	6	7	8	9

Date of submission to AO / DAG	Date of approval	Date on which sent for type	Date of return from type	Date of issue	Reference to Progress Register	Remarks
10	11	12	13	14	15	16

**FORM IV ( S.Y. 328)****Register to watch progress in the settlement of Inspection Report**

( Vide Para.8.13 and Item (iv) of Annexure to Chapter 2)

Sl. No.	Name of the unit inspected	Items No. of the Register for watching the Receipt and Issue of Inspection Report	Date of completion of audit	No. & date under which report was issued	Due date of receipt of reply	No. & date of reminders etc.	Date of receipt of 1 <sup>st</sup> reply.	Date of issue of further audit remarks	Further correspondence	Date of receipt of further replies	Date of issue of further remarks / reminders	Paras outstanding after six months of issue of the report	Number of paras in Inspection Report	Date of settlement with reference to file No.	Date of closure of the report with reference to file No.
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16



**FORM V ( SY.338)**  
**(See Para 1.07(viii))**  
 ( To be printed on open foolscap)

**REGISTER FOR WATCHING RECOVERY OF COST OF AUDIT**

Sl. No.	Name of body or authority audited	Period of account	Authority for undertaking audit	Dates of audit	No. of days taken	Strength of party with details of leave etc. availed of by the party	Rate of audit fee per day	Authority for fixing audit fees
1	2	3	4	5	6	7	8	9

	Amount of arrears	Total	No. & date of demand note	Amount recovered	No. & date of credit information	S.O.s / AAOs initials	Remarks	
10	11	12	13	14	15	16	17	

**FORM VI****Check Register of Travelling Allowance Bills**  
( Vide item (ix) of Annexure to Chapter 2)

<b>Sl. No.</b>	<b>Month of claim</b>	<b>Amount of bill</b>	<b>Date of receipt in section</b>	<b>Date of return establishment</b>
1	2	3	4	5

**FORM VII**  
**Register of deviation in the local audit programme**

(Vide Item(x) of Annexure I to Chapter 2)

Sl.No.	Name of office	Date of audit as per original programme		Nature of deviation	Authority
		From	To		
1	2	3	4	5	6

**FORM VIII**  
**Register of documents sent to Local Audit Parties for verification**  
(Vide Item(xi) of Annexure to Chapter 2 and 3.14a)

Sl.No.	Name of institution inspected	Date of commencement of inspection	Date on which programme was intimated to the section	No. and date of letter with which previous IRs and other documents are sent & details of documents received.	Date of completion of audit	Date on which documents were received back from the party and details of documents received	No. of paras communicated IR paras	No. of settled IR paras	Balance paras outstanding	Remarks
1	2	3	4	5	6	7	8	9	10	11

**FORM IX****Memo of local verification and settlement of outstanding paras in previous Inspection Reports.**

(Vide Para 3.53)

No. of paras outstanding :

No. of paras cleared :

Balance :

Name of institution .....Period of Report .....File No. :.....

<b>Para No. in Inspection Report</b>	<b>Objection in brief</b>	<b>Action taken by Department or reply furnished by Department</b>	<b>Supervising Officer's, AAOs/SOs recommendation for clearing the para</b>	<b>Order of Group Officer</b>	<b>Final Disposal in OAD ( Headquarters)</b>
1	2	3	4	5	6

**FORM X**  
**Schedule of irregularities settled on spot**

(Vide Para 8.02)

Sl. No.	Nature of irregularity pointed out	Ref. to Audit query / memo	Action suggested by Audit Party	Action taken by department or promised to be taken	For use at the subsequent audit <hr style="width: 50%; margin: 0 auto;"/> Result of verification of action promised	Remarks
1	2	3	4	5	6	7

Certified that I have verified all the points in which action was promised to be taken and have satisfied myself that the action taken is adequate. Persistent irregularities have been included in Part I (c) of current report.

Signature of SO/AAO/Supervising Officer

Signature of Head of Institution inspected

Place :

Date:

**FORM XI**  
**Title Sheet of the Inspection Report**  
**(See Para.8.06(a))**

(To be submitted with every Inspection Report )

Party No :

<b>PART A</b>		
1.	Name of the institution with postal address	
2.	Name of (i) Supervising officer (ii) AAO/SO (iii) Auditors	
3.	Period of audit	
4.	Months selected (i) For detailed audit (ii) For check of arithmetical accuracy	
5.	Dates of audit	
6.	Actual time taken for audit and whether any change in the time allotment is necessary	
7.	Total expenditure for a year (a) Expenditure (b) Non-establishment	
8.	Number of Staff	
9.	Particulars of revenue collection	
10.	Other relevant particulars : (i) No. of P.L. Accounts / T.P. Accounts maintained or checked (ii) Total number of P.L./T.P. (iii) Total number of P.L. / T.P. accounts audited (iv) Para / sub-para number in which comments included.	
11.	Draft paras enclosed for inclusion in the Appropriation Accounts and the report of the CAG.	
12.	Paragraphs, if any, to be reported to higher authorities in advance and / or to be brought to the special notice of the Central Audit.	
13.	Number of preliminary objections Memoranda and rough working sheet sent.	



<b>PART B</b>		
1.	In the case of Forest Division and courts etc., whether the reconciliation of remittances, Deposit etc. transactions have been looked into and the position indicated in the Inspection Report.	
2.	Whether special report on the test check of permanent advance forwarded to Debt Head Section direct ( quote letter No. and date ) vide circular No.OA-I/2-153/64-65/1002 dated 10-8-1964.	
3.	Whether schedule / vouchers relating to Festival Advance were received from LA Section and checked locally.	
4.	<p>Have the following items been attached ?</p> <ul style="list-style-type: none"> <li>(i) List of Service Books checked</li> <li>(ii) List of persons due to retire within 5 years</li> <li>(iii) Statement of remittances / refunds of selected months checked with treasury account.</li> <li>(iv) Statement of double drawals, on payment exceeding Rs.25/-</li> <li>(v) Correction slips to OAD Manual</li> <li>(vi) Special Report on audit of non-tax receipts</li> <li>(vii) Certificate of establishment audit.</li> <li>(viii) Certificate of test check of work done by the auditors.</li> </ul>	
<p>1. Certified that all points in the previous Inspection report and all points from the Audit Note Book and points marked for next audit by Central Office have been reviewed and action taken thereon indicated in separate note.</p> <p>2. Certified that all the points raised in report and in the Appendix have been discussed by me personally with ( Designation of the Officer to be mentioned here) and that the facts mentioned therein have also been verified by him.</p>		
		<p>Asst. Audit Officer / Section Officer OA Party No.</p> <p>Remarks of supervising officer :</p>
<p>Camp : Date :</p>		<p>Signature : Date : Designation :</p>

<b>PART C - DOCUMENTS CHECKED</b>				
Sl. No.	Name of record / document	Extent of audit prescribed / don	Name of official(s) who checked	Initials

<b>PART D -- RECORDS BROUGHT FROM HEADQUARTERS</b>		
Sl. No.	Particulars of records	Use put to
		AAO/ Section Officer OA Party No. :

**FORM XII**  
(Vide para 8.12(i) )

**Objection Book of the O.A.D. (Headquarters) for the month of ....., 20.....**

Sl.No.	Refer-ence to accounts audited/ office inspected and designation of the officer responsible for clearance of the objection	I.R. No. and para No.	Amount under objection pending recovery					Nature of objection (gist to be given)	Details of correspondence	Details of adjustments		Remarks
			Misappropriation, fraud, defalcation, etc.	Excess payment, loss/shortage of stores, etc.	Credit sales	Outstanding advances and loans	Miscellaneous			Month of clearance	Amount	
1	2	3	4	5	6	7	8	9	10	11	12	13

Total of month's objection :

Totals of columns 4 to 8

Add balance from previous month:

Total :

Deduct amount adjusted during .....as in separate Adjustment Register :

Add or deduct -- Net adjustment in March final :

Balance carried forward :

I certify that I have examined the Objection Book and find it complete in all respects.

All cases or items which could be waived under Paragraph 1.1.13 -- have been brought to the notice of the office concerned and order taken.

Date:

Asst. Audit Officer/ Section Officer

**FORM XIII**  
**Register of items of expenditure and other items of financial irregularities for inclusion in the Appropriation Accounts of**  
**.....Government**  
 ( Vide Para.8.14 and item (vi) of Annexure to Chapter-2)

Serial No.	Name of district or division	Month of account and Voucher No.	Amount	Name of Department	Description of charge or nature of the irregularity	Name and Designation of officer responsible for the irregularity	No. and date of report of Government	Orders of Government	Final remarks passed by the Head of Accounts Office	Whether included in the Appropriation Accounts	Remarks
1	2	3	4	5	6	7	8	9	10	11	12

## FORM XIV

(Vide Para 2.01 and 3.34)

Diary of Shri. ....Asst. Audit Officer / Section Officer / Auditor for the week ending Saturday,  
the.....

Date	Day of week and hour of attendance	Name of Department / office inspected	Details of work done

The .....

Asst. Audit Officer / Section Officer/ Auditor

**FORM XV****Check Register of weekly diaries of Shri. ....Section Officer / Auditor**

( Vide Para 2.01 and Para.3.34)

Week ending	Holidays, if any, during the week	Date on which Diary is received	Name of office inspected	Period of audit	Number of working days taken up to the end of the week	Time allowed for the audit	Remarks

**FORM XVI****Register of Performance- cum-selection of IR for review by AG  
( Refer to para 8.20 (iii))**

Sl. No.	File No.	Name of Office audited	Name of party	Period of audit	Dates of audit & date of issue of IR	Name of Inspecting Officer & dates of supervision	Name of members of the party	Details of Part II Paras				Whether selected by AG	Date of submission to AG	Remarks of AG, if any.
								Para No.	Objection in brief with category(Pl see Para.8.08(i))	Amount (Rs. in lakh)	Name of official who contributed the para			
1	2	3	4	5	6	7	8	9				10	11	12

**FORM XVII**

**Register of Potential Draft Paras**  
( Vide Item xii of the Annexure to Chapter 2)

Sl. No.	Name of office / division / range	File No. and Para No.	Name of assessee	Subject in brief	Tax effect / amount involved in this para	No. and date of letter in which objection sent	Date of subsequent correspondence	No. and date of reply	No. and date of letter under which Statement of Facts( SOF) sent	Sl.No. in the SOF Register	No. and date of letter in which DP sent to Government	Remarks
1	2	3	4	5	6	7	8	9	10	11	12	13



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**NOTE OF POSTING OF LIST OF CORRECTIONS**

<b>Sl.No. of the list</b>	<b>Para No. added</b>	<b>Para No. deleted</b>	<b>Sl.No. of the list</b>	<b>Para No. added</b>	<b>Para No. deleted</b>