

*For internal use in Indian Audit and Accounts Department*

**MANUAL OF  
OUTSIDE AUDIT DEPARTMENT  
FIRST EDITION 2014**

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

## **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.

Technical 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.

**GOA**  
**11/12/2014**

**Devika**  
**Accountant General**

## CHAPTER-1

### Constitution and Functions

#### **1.01 Introduction**

The office of the Accountant General, Goa was upgraded on 1st January 2004 from the office of the Senior Deputy Accountant General (Audit), Goa. This is one of the field offices of Indian Audit and Accounts Department headed by the Comptroller & Auditor General of India whose duties, powers and conditions of services are prescribed by the Act of Parliament in 1971.

#### **1.02. Audit Functions of the Accountant General, Goa**

Accountant General, Goa is entrusted with the following audit functions:

1. Audit of receipts and expenditure of the State Government Offices and State Autonomous Bodies including Goa University.
2. Certification of Finance Accounts and Appropriation Accounts prepared by the State Government.
3. Audit of State Government Companies, Corporation and Departmental Commercial Undertakings
4. Review of the schemes/projects undertaken by the Union/State Government.
5. Preparation of Composite Audit Report on the transactions of the State Government, and the report on States Finances besides assisting the State Public Accounts/Undertaking Committees during examination of the concerned Reports.
6. Issue of Audit Certificates relating to the World Bank aided Projects, Externally Aided Projects and Centrally Sponsored Schemes.

#### **1.03. Organisational Structure**

The office is headed by the Accountant General and is assisted by a Deputy Accountant General. The Functional wings of this Office are:

**REPORT WING** – Entrusted with finalisation of material for Audit Reports, assisting the Accountant General while attending the Public Accounts Committee (PAC)/

Committee on Public Undertakings (COPU) meetings and follow up on the Action Taken on the recommendation of PAC/COPU.

**CENTRAL AUDIT SUPPORT SECTION(CASS)** – Supporting Sections for Central Audit Parties central audit of vouchers received from the Director of Accounts, checking the Finance and Appropriation accounts before certifying of the same by the CAG and Issue of Audit Certificates for Centrally Assisted Schemes and World Bank aided projects.

**GENERAL\_SECTOR** – General Sector Audit Wing is responsible for audit of the expenditure of 12 departments of Government of Goa under Section13 of DPC Act, 1971. Three autonomous bodies (Goa State Legal Service Authority, North Goa State Legal Service Authority and South Goa State Legal Service Authority, auditable under Section19 of DPC Act 1971 are audited by parties from this sector. There are 116 auditee units under General Sector.

**SOCIAL SECTOR** – Social Sector Audit Wing conducts audits of the units pertaining to the Departments under Social Services under Section13,14,15,19, & 20 of C&AG's DPC Act. 1971. The total departments covered by the Social Sector are 19. 514 auditee units are covered.

**ECONOMIC SECTOR – I** – Economic Sector Audit Wing-I is responsible for audits of commercial undertakings under Section19 of C&AG's DPC Act 1971 and trading activities of the State government. Audit of Government Companies is governed by Section619 of the Companies Act, 1956. The accounts of the State Government Companies (as defined in Section617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the C&AG of India as per the provisions of Section619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by C&AG as per the provisions of Section619 of the Companies Act, 1956.

Audit of Statutory Corporations is governed by their respective legislations. C&AG is sole auditor for both the Statutory Corporations viz., Goa Industrial Development Corporation and Goa Information Technology Development Corporation. Audit of the

transaction of Electricity, Agriculture, Animal Husbandry, Ports, Tourism and Forest Department also conducted by Economic Sector –I. The total number of units are 81

**ECONOMIC SECTOR – II** – Economic Sector Audit Wing – II is responsible for audit of the revenue (State receipts) and expenditure of 13 departments of Government of Goa under Section 13, 16, and 19 of CAG's DPC Act 1971. The total number of units are 218

**ADMINISTRATION, ESTABLISHMENT AND GENERAL SECTION**– Deals with Office Administration/establishment matters and looks after the implementation of the Official Language

The outside Audit Department is under the charge of the Sr. DAG at the Head quarter. In respect of field parties and Headquarters work is assisted by Sr. Audit Officers/Audit officers based on the requirement as per standard prescribed by C&AG.

Each Audit sections are controlled by Headquarter. Headquarter exercises overall control over the working of field parties. Its main functions are to:-

- a) Prepare tour programmes of the field parties.
- b) Issue intimations of audit to the audit entities.
- c) To collect all documents for audit from CASS and forward them to field parties.
- d) Issuing and pursuance of all IRs, till all audit points are settled.
- e) Maintain register of audits, indicating dates of commencement of audit, completion of audit receipt of IRs their approval and issue to the office concerned to ensure that reports are issued within the prescribed time.
- f) Watch assessment, raising demands, receipt of amount in respect of audit fees recoverable are fully recovered in time and to maintain records register for the purpose.
- g) Fix and revise the rates of audit fees from time to time as per instruction of CAG.
- h) Maintain all audit note books (Audit Programme Books) and to bring them up to date.
- i) Maintain register of cases of financial Irregularities potentials draft paras and to process them for inclusion in conventional Audit reports

- j) Collect, examine and submit the weekly diaries of field parties to Branch Officer and to watch their prompt receipt.
- k) Scrutinize Travelling Allowance Bills of field staff with reference to the diaries of the field staff and approval programme allotted to them before they are transmitted to Establishment section.
- l) Forward/supply to all field and other staff important orders/circulars/codes / manuals, etc. Required by them for smooth and efficient conduct of audit.
- m) To keep annuals guard file to instruction containing scope, extent of audit, percentage of audit, selection of months etc. Upto date for guidance of field parties /Headquarter staff
- n) Maintain all registers/returns/documents/prescribed by CAG/AG/ DAG and ensure their prompt submission to respective authorities on prescribed dates.
- o) Maintain calendar of returns, review the same and submit to the prescribed authorities on due dates and thus ensure proper and effective control over the working of Headquarter.
- p) To conduct periodical reviews of scope, extent and percentage of audit/scrutiny of various accounts/documents of all officers coming within the purview of audit and revise/ fix the quantum & scope of audit in each case as deemed fit in each case.

Do any other work entrusted to the Branch by AG/DAG

**1.04** 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.

**1.05** The Outside Audit Department is entrusted with the duty of discharging the following functions assigned to the C&AG of India under the provisions of various Sections of the above Act

- i) Inspection and local audit of expenditure in government offices and institutions including pension payments by Public Sector Banks (Sn.13)
- ii) Local audit of receipts and expenditure of bodies and authorities substantially financed by grants and/ or loans by Government(Sn.14)

- 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)
- iv) Local audit of receipts of the State Governments (Sn.16)
- v) Local audit of the accounts of stores and stock kept in any office or department of the State Government (Sn-17)
- vi) Audit of Government Companies under the provisions of the Companies Act 1956 (Sn.19(1))
- vii) Audit of accounts of Corporations (not being companies) established by law made by Legislature (Sn.19(2))
- viii) Audit of accounts of Corporations established by law made by the legislature of the State on request by the Governor (Sn .19(3))
- ix) Audit of accounts of any other body or authority undertaken on the request of the President/Governor (Sn.20(1))
- 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&AG (Sn. 20(2))

(Extracts of Sections 13 to 20 of Comptroller and Auditor General's (DPC) Act. 1971 are given in **Annexure I** to this chapter)

**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(Section13)**

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. (Section14)**

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.(Section15)**

*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 (Section16)**

**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 (Section17)**

**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. (Section 19)**

**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 (Section 20)**

*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)

### **1.03                    Selection of staff for inspection works:**

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 specially 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.

(CAG's letter No. 539-Admn.5.Rep/49 dated 23/3/1950)

### **1.04                    Levy of fee for the audit of the accounts of Non-Government Funds:**

(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 :

- 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.

- 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.

(Govt. of India, Ministry of Finance (Department of Expenditure) O.M. No. F.5(7)-S.II(A)56 dated 14/8/1957).

**NOTE :**

- 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).

- b) Where C&AG acts as the sole auditor of autonomous bodies either under Section 19 or under Section 20 of the C&AG's (DPC) Act, 1971,

(C&AG's Letter No. 1741-Audit.II/147-TA-I/75 ( Cir. No. 38 Audit. II/1985 dated 7-11-1983).

- (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&AG of India.

- (iii) Heads of Departments of Indian Audit & 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 :

- 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.

(CAG's Letter No.65-Tech. Admn. I (A)/33-65 Vol.II dated 6-1-1969).

- (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.

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&AG's Office to see that there are no wide disparities in the rates approved in different offices.

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&AG's Office.

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 1-1-2008 approved by the Accountant General (Audit) are given in **Annexure II** to this chapter.

- (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.

	<b>Register maintained by</b>	<b>To be reviewed by</b>
1	OA(HQ) Section	Sr. Audit Officer/Audit Officer.



**Annexure - II**

<b>DAILY RATES OF AUDIT FEES WITH EFFECT FROM 1.1.2008 to 30.6.2008</b>						
	<b>AAO</b>	<b>SO</b>	<b>SR.AR.</b>	<b>AR.</b>	<b>CL.TY.</b>	<b>GR.D</b>
<b>Average cost</b>	9610.00	8500.00	7250.00	5750.00	3820.00	2973.00
<b>DP 50%</b>	4805.00	4250.00	3625.00	2875.00	1910.00	1486.50
<b>Total</b>	14415.00	12750.00	10875.00	8625.00	5730.00	4459.50
<b>DA @ 47%</b>	6775.00	5993.00	5111.00	4054.00	2693.00	2096.00
<b>CCA</b>	120.00	120.00	120.00	65.00	35.00	35.00
<b>HRA 15%</b>	2162.00	1913.00	1631.00	1294.00	860.00	669.00
<b>Bonus</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>Transport Allowance</b>	200.00	75.00	75.00	75.00	75.00	75.00
<b>Direct cost</b>	23672.00	20851.00	17812.00	14113.00	9393.00	7335.00
<b>Add: Indirect cost (125% of DC)</b>	29590.00	26064.00	22265.00	17641.00	11741.00	9169.00
<b>Cost per month</b>	53262.00	46915.00	40077.00	31754.00	21134.00	16504.00
<b>Cost per year (*12)</b>	639144.00	562980.00	480924.00	381048.00	253608.00	198048.00
<b>Cost per day (/230)</b>	2779.00	2448.00	2091.00	1657.00	1103.00	861.00
<b>I.e. to say</b>	2780.00	2450.00	2090.00	1660.00	1100.00	860.00

**CHAPTER 2**  
**DUTIES OF HEADQUARTERS SECTIONS**

**2.01** The main duties of Headquarters Section are:

- i) To prepare tour programmes of the Inspection parties and supervising officers;
- ii) To issue intimation of audit to the offices concerned;
- iii) To collect all relevant files, documents etc. and to dispatch them to the inspection parties;
- iv) To edit the inspection reports received from the inspection parties and to check the accounts, if any, attached thereto before submission for approval;
- 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;
- vi) To maintain the registers prescribed for the Section in addition to the general registers required to be maintained otherwise;

**Note :** A list of such registers with brief note is given at the end of this chapter as **Annexure-I**

- vii) To distribute office orders, circulars, etc. to the inspection parties.
- viii) To examine the weekly diaries of inspection parties;
- ix) To review the outstanding paragraphs in the inspection reports monthly;
- x) To report delays in the disposal of inspection reports by Heads of Offices to the Finance Department;
- xi) 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.
- xii) To maintain policy files in respect of loans and grants; and
- xiii) 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.

- xiv) To prepare draft paragraph for Audit Report relating to Civil Departments for processing at Report Section Goa

## **2.02 Programme of audit of the Outside Audit Department:**

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:

### **i) List of Auditees :**

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.

- (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 Section.
- (b) Preparation of Audit Plan.
- (c) Preparation of Annual Forecast.
- (d) Preparation of quarterly tour programme of OA parties.
- (e) Preparation of tour programme of supervising officers.

Preparation of Diary Verification Sheets for checking the diaries received from OA Parties

### **ii) Audit Plan**

- (a) Annual Audit Plan with detailed Audit Plan for the first year has to be prepared and sent for the approval of Principal Director (WR) by 1<sup>st</sup> August every year or even earlier if request by Hqrs. For this purpose, the units and inspection parties are to be categorised as category A, B & C based on risk analysis is as shown below :

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

<b>Parties - Category</b>	<b>Composition</b>	<b>Supervision</b>
A	1 Sr.AO / AO 2 AAOs	100 percent
B	2 AAOs. 1 AAO + 2 Sr. Auditors	50 percent
C	1 AAO, 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 dt. 04/10/2002 and 155WR/Coord/AP/2015-16/51-16/51-2014 dt. 26/03/2014)

- (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. a) Introducing cost effective audit and allocating cost for each activity (group) so that scarce resources (manpower, money and time) can be utilised most judiciously.
  - b) 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 Headquarters for approval.

c) 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.

(CAG's Lr. No. 380-Codes.I/41-74/Gr.V dated 5-8-1975).

iii) **Risk analysis - Meaning and role of risk in audit.**

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.

- (a) In this situation, we have to assess risk to conduct the audit with an acceptable level of assurance.
- (b) Audit risk means that auditors may give an opinion that is not correct or auditors 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.
- (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.

iv) **Procedure for drawing up programmes**

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 Plan approved by the Accountant General.

The quarterly programmes will show the offices to be audited by each inspection party and the date of commencement and termination of each audit. The following points should be borne in mind in preparing the programme.

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.
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.
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
4. A copy of the approved programme should be supplied to the respective AAOs/SOs and the officers who supervise the audits.

v) **Local audit of contingent expenditure by Receipt Audit parties:**

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.

(Authority: CAG's Lr. No. 101-Rec/A.III/145-72-III dated 18-4-1973).

**2.03 Intimation regarding taking up of audit.**

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, fifteen 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.

**2.04 Tour Programme of Group Supervising Officers/ Audit Officers:**

(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. 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.

CAG.s Cir. No. 375-Audit (AP)/236-95-II dated 18/12/2008) and No. III/P/5-300-PPO/30-2013 dt. 25/09/2013

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

**2.05** 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 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) Section

**2.06 Calendar of Returns:**

A Calendar of Returns shall be maintained by the AAO 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 in each case and the Calendar of Returns submitted to the Branch Officer every Monday and to the Group Officer on the 1<sup>st</sup> Monday of each month.

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.

**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, Master Audit Programme register 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 (H.Qrs.) Section after approval by the Group Officer.

Cases so reported for examination during local inspection are included in the register by the (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. 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 giving reference to the orders on the connected file.



**(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 (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 )

**(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.)

**(v) 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.).

**(vi) 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 (HQrs) with reference to the programme of the party, diaries, leave etc.

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

This register has to be maintained in **Form VII**.

**(viii) 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)).

**(ix) 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 (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 of this Manual.)

**(x) 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 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 Para of this Manual.).

**(xi) Check Register of Weekly Diaries.**

A check register of weekly diaries of the members of audit parties should be maintained in (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

**(xii) Register of Potential Draft Paras.**

The register may be maintained in the **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 may 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****OFFICE OF THE ACCOUNTANT GENERAL, GOA  
AUDIT BHAVAN, ALTO-PORVORIM  
GOA- 403521**

No. AG/Goa/OAD/Audit Intimation/Prog/

Date:

To

.....**Sub: Audit Intimation**

Sir,

I am to inform you that Shri/Smt.....

Asst. Audit Officer of this office will be auditing the accounts of your office on or about..... and succeeding days. He may please be afforded all facilities in carrying out the audit. The audit will also be supervised by Shri/Smt.....Audit Officer from .....

I shall be obliged if you direct your staff to produce without delay all the documents and accounts that may be required by Section Officer. It is desirable that the registers and the accounts (including proforma accounts where required) are got ready sufficiently in advance to enable the audit party to start the audit programme and complete it within the prescribed period. Any delay in the submission of the records will dislocate the entire programme that has been framed for the party.

I would also request you to make suitable arrangements to see that the preliminary audit memorandum issued by the Section Officer/AAO are replied and returned to him within the time specified by him which may vary from one to three days and that the objections are promptly taken up for settlement. Specific comments may be noted against the paras of the audit notes which may be handed over to the Section Officer/AAO. Replies to Audit reports may also be handed over to him.

It will be an advantage if you can present at the Headquarters throughout the period of audit so as to facilitate the settlement of as many audit objections as possible on the spot. In many cases, it is important that you should be present at least during the closing period of audit in order to hold discussions with you.

Service books and leave accounts of Government Servants who are likely to retire within 5 years of the date of inspection should be submitted for inspection by the audit party along with a signed statement showing the names of such persons and the date their retirement. If there are no such cases, NIL' signed statement may be furnished.

In respect of countersigned contingencies, if any, the sub-vouchers for the entire period of audit mentioned above retained by the countersigned officer after scrutiny and cancellation in his office should be called for from him for verification and return after audit.

Information in the enclosed questionnaire may be kept ready for scrutiny by the Section Officer/AAO and may be handed over to him for onward transmission to this office.

**Yours faithfully,****Sr. Audit Officer/Hqrs**

**List of records to be kept ready on the scheduled date of commencement of audit.**

- I.** Please state the name of the individuals who held the  
Charge of the post mentioned below during the period covered by audit.
1. Head of the Institution:
  2. Name of the Admn. Department in the Secretariat
  3. Persons in charge of case
  4. Persons in charge of account
  5. Persons in charge of stores and stock
- II.** Please state whether any audit was so far conducted by the Accountant General and if so, state the details of last audit and furnish a list of objections still outstanding and mention action taken for settlement or reasons for non settlement and produce the files and records for perusal and return.
- III.** Please state whether any Dept. Inspection & checking of accounts verification of cash and stock was done during the above period by any controlling officer or head of the dept. If so, state the dates and designation of the inspecting officers and produce their reports for perusal and return
- IV.** Please state whether any Dept. Inspection & checking of accounts verification of cash and stocks was done during the above period by any controlling officer or head of the dept. If so, state the dates and designation of the inspecting officers and produce their reports for perusal and return.
- V.** Please furnish an exhaustive and certified list of the books of

accounts / registers and returns and a complete list of all the accounts / files e.g. Budget, security, purchase, sanctions, grants, loans, challans, vouchers etc. Maintained in your office for all the schemes institutions and offices for which you are the drawing officer and produce these for audit.

- VI.** Please state fully as to what the arrangement for the safe custody of Government and non-Government cash held is and mention whether any cash chest fixed in wall with double locks and duplicate key system exists. If so, who are the custodians of duplicate keys and other two original keys?
- VII.** Please state whether the total cash balance according to the cash book as on the date of commencement of audit and certify as to whether it agreed the physical balance. Also give an analysis of the cash balance stating as to what they pertain to, the date of their drawal from the Treasury and why they have not been disbursed so far.
- VIII.** Please state whether there is any Govt. Petrol, diesel driven vehicle, power or petrol driven machinery pumps etc. Under your control, If so, produce the records thereof such as sanction, log books and petrol, oil and lubricants accounts etc. For verification by audit. If not produce "Nil" certificate.
- IX.** Please state what is the amount of permanent advance or imprest held by the subordinate officer under your control and state the number and date of sanction

- X.** Please state whether draw or receive any amount for expenditure other than by drawal of bills on the Treasury or “Sub – Treasury controlling or other officers. If so, state full details and produce full accounts thereof, if not furnish a “NIL” certificate.
- XI.** Please state whether you hold any personal ledger or deposit account in Treasury, Sub-Treasury or State Bank or private bank or Post office for any Govt. Or non-Govt. Money or fund. If so, state full details and sanction thereof and produce all accounts thereof, if not furnish a “NIL” certificate.
- XII.** Please state whether you handle any non-Govt fund or money in you official capacity. If so, state full details thereof.
- XIII.** Please state whether there are any source of income or revenue for the institution, officer scheme. If so, state full details thereof and produce records for scrutiny by audit, e.g. rent on building, auction of natural produce, lease money, sale of products, sale of forms etc. If not produce a “Nil” Certificate.
- XIV.** Please state whether the amount and the nature of security deposit prescribed by Govt. And heads of the department for the posts mentioned above in para and for any other posts under your control which require handling of cash or valuable stores and state the number and date of the orders prescribed the “Security” deposit Register and securities for verification by audit. Kindly state whether personal surety bond has been obtained from the persons

who are surety bond has been obtained from the persons who are yet to pay the prescribed security deposit.

- XV.** Please give a list of all purchases of stores and stock and other materials made during the period of audit for Rs. 50,000 and above at a time. Also produce the tenders, comparative statement, agreements, and invoices for the above purchase.
- XVI.** Please state whether the stocks held by you (Dead stock consumable stock and live stock etc) have been physically verified annually. If not, please give a “NIL” certificate. Also state whether there has been any shortage or write off of condemned stock. If so, produce there relevant files.
- XVII.** Please state the number of non gazetted class. III and IV officials working under your control under reach category, scale or cadre and mention the name and designation of the individuals who are likely to retire within 5 years from the date and produce their service leave account for verification. If not furnish a ‘nil’ certificate. The Service books, rolls or all other class III & IV servants working under your control and GP Fund account of class IV servants may also please be produced to audit.
- XVIII.** Please state the closing cash balance as on 31/3/2000 and 31/3/2000 and give an analysis showing the dates for their drawal from Treasury, the purpose of which they were drawal from Treasury and the dates of their actual disbursement.



- XIX.** Please state whether any case of (suspected or substantial) over – payment, double payment or fictitious payment or loss of Govt. Money valuable stores by natural cases or otherwise by defalcation, misappropriation of theft has come to the notice during the period covered by audit prior to the date.
- XX.** Please state whether any kind of Grant-in-aid, subsidies or scholarship or stipends are sanctioned, drawn or disbursed by you. If so, furnish full details of such payments during the period covered by audit and produce all records for verification by audit. Please furnish sanction files and utilization certificates, if not furnish a “NIL” certificate.
- XXI.** Please state whether any kind of loans other than the recognized loans and advances to the Govt. Servants and sanctioned, drawn, dues, over dues, amounts of principal and interest on loans paid during the period covered by audit and produce sanction files and all loans records for verification by audit. If not, furnish a “NIL” certificate.
- XXII.** Major heads of expenditure:
- XXIII.** Total contingent expenditure for the last two financial years.  
Break-up of the expenditure according to the various minor and sub – heads of accounts e.g.
- i. Rent, Rates and Taxes
  - ii. Materials and Supplies
  - iii. Other charges
  - iv. Office expenses
  - v. P.O.L.
  - vi. Wages
  - vii. Advertisement and publicity

- viii. Professional and Special
- ix. Minor Works
- x. Motor vehicles
- xi. Machinery and equipments
- xii. Total

**XXIV.** In respect of loans and subsidies sanctioned etc. The following data may be kept ready

- i. Files containing sanctioning the scheme under which loans/ grants are paid
- ii. Amount of loans and grants disbursed under each Scheme during the last 3 years
- iii. Whether the utilization of the loans / grants have been verified and if so, the files containing the results thereof, may be shown to audit party
- iv. Up to date amounts due for recovery against
  - a) Principal
  - b) Interests
  - c) Unutilised grants
- v. Amount so far recovered separately against
  - a) Principal
  - b) Interests
  - c) Unutilised grants
- vi. Amounts (overdue) which are pending recovery
  - a) Principal
  - b) Interests
  - c) Unutilised grants
  - d) Reasons of arrears
  - e) Action taken to recover the amounts
  - f) Amounts pending with bodies in liquidation, defunct etc.
- vii. Analysis of the arrears year wise year in which amount fell due for recovery  
Amount in arrears
  - a) Principal
  - b) Interests
  - c) Unutilised grants

Note: 1. The Figures shown against the total should agree with the figure shown against (a), (b) and (c) of item (vi) above

2. The date regarding (ii) to (vii) above may be given separately for scheme

**XXV.** In respect of the schemes executed or controlled by you, the following data may be kept ready separately for each scheme.

- 1) Name of the scheme wise with its nomenclature, original order sanctioning it, its objectives and a brief
- 2) Figures for the last 3 years may be given separately as under:
  - a) Physical targets/achievements
  - b) Financial estimates/actual
  - c) Reasons for the variation in each case
- 3) Progress report files regarding working / review of the scheme
- 4) If the schemes are not working as per the original visualization the reasons, thereof and remedial action taken
- 5) Files containing the important orders on the scheme.

**XXVI.** If any machinery, equipment etc, which are in good and serviceable condition have not been utilized for over 2 years particulars thereof may be given in the statement in following form

- i. Name and description of machinery
- ii. Date of purchase
- iii. Cost
- iv. Period, if any, during which it was used from.....to.....
- v. Remedial action taken

**XXVII.** List of cases whether further grants in aid were released pending receipt of utilization certificates in respect of grants already released by your Department may be furnished to the audit party in a separate statement in the following proforma.

Name of the Institution	Particulars of the grants for which UC are awaited		Particulars of grants paid to the same Institution for the subsequent period		Year of Payment	Amount paid	Year of Payment	Amount paid
	Year of Payment	Amount paid	Year of Payment	Amount paid				

**XXVIII.** In respect of the GPF / Accounts of class IV Govt. Servants please keeps a statement (in duplicate) showing the name of all Government servants as on 1.4. in your office and the balance against each as on that date ready for check, by the audit party. The statement should also indicate the total balance for the entire office and certified as such by the Head of office.

**XXIX.** Please state whether there are any subordinate office where cash books are maintained, though such offices does not enjoy the drawing posers and whether any procedure exists in your office which enables your office to correlate the monetary transactions, in your records which actually takes place in the subordinate office and booked in cash books maintained by subordinate offices.

**Signature of Head of Department**

**CHAPTER - 3**  
**PROCEDURE DURING INSPECTION**

**3.01 Scope of Inspection and local audit**

The broad outline of duties and responsibilities allocated to various categories of personnel in civil audit parties is given in **Appendix II** 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

**3.02** 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 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

**3.03 (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.

(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.

c) **Code of Ethics**

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.

The Code requires that:-

- i) The conduct of auditors should be beyond reproach at all times and in all circumstances.
- 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.
- 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.
- 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.
- 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.
- 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.
- vii) Auditors should conduct themselves in a professional manner at all time and to apply high 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.

### **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.

#### **a) Basic Postulates**

- i) The Supreme Audit Institution should apply its own judgement to the diverse situations that arise in the course of Government auditing.
- ii) 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
- iii) Development of adequate information, control, evaluation and reporting system within Government to facilitate accountability process.
- iv) Appropriate authorities should ensure promulgation of acceptable accounting standards for financial reporting.
- v) Consistent application of accounting standards for fair presentation of the financial position.
- vi) The existence of an adequate system of internal control to minimise risk of errors and irregularities.

- vii) Legislative enactment for providing access to all relevant data necessary for comprehensive assessment of the activities under audit.
- viii) All audit activities should be within SAI's audit mandate.
- ix) SAI should work towards improving techniques for auditing the validity of performance measures.
- x) Supreme Audit Institution should avoid conflict of interest between the auditor and the entity under audit.

**b) General Standards**

- i) The auditor and the audit institution must be independent. This means independence from Legislature, the executive and the audited entity.
- ii) 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.
- iii) 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.
- iv) 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.

**c) Field Standards**



- i) 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.
- ii) 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.
- iii) The auditor in determining the extent and scope of audit should study and evaluate the reliability of internal control.
- iv) 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.
- v) In conducting performance audits, an assessment should be made of compliance with applicable laws and regulations when necessary to satisfy audit objectives
- vi) 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.
- vii) Competent, relevant and reasonable evidence should be obtained to support the auditors judgement and conclusion regarding the organisation, programme, activity or functions under audit.
- viii) 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.

**d) 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:

- i) 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.

- ii) The auditor should issue the reports in a timely manner for use by management, legislature and other interested users.
- iii) The audit report may be presented on other media that are retrievable by other users and the audit organisation.
- iv) 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.
- v) 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/serious financial irregularity.
- vi) 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.
- vii) 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.
- viii) 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.
- ix) Auditor should report deficiencies in internal control that they consider to be reportable conditions.

- x) The report should have a suitable title or heading.
- xi) The report should be properly signed and dated.
- xii) The report should include reference to the objectives and scope of audit.
- xiii) Audit opinion and reports should identify the legislation or other authority providing for audit.
- xiv) 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.

**3.04** 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.

**3.05** 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 before taking up or pursuing questions which are likely to take an awkward turn.

**3.06** 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 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.

**3.07** 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 cashbook 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  
(Auditor General's Lr. No. 31-Admn.I/205-36 dated 15-1-1937)

**3.08** 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.

**NOTE :**

1. The use of any form of questionnaire is prohibited.
2. The material for the inspection report should be gathered by the inspection staff themselves from the records they have inspected.

**3.09** In auditing accounts, all entries checked should be ticked or cross-ticked by the auditors and all vouchers or challans examined should be initialled by them. When the document checked by the auditor is reviewed by the AAO he should record against the auditor's entry the word 'Reviewed' under his dated initial.

**3.10** 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.

**3.11 Power to make independent enquiries:**

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.

If there are suspicious circumstances in the accounts, the Inspecting Officer should report the fact to the Group Officer

**3.12 (i) The period to be audited**

The period of accounts to be audited by the Inspection Staff should cover the transactions falling between the dates 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

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.

(CAG's Lr. No. 126-TA/I-206-81 dated 28-1-1982).

**(ii) Selection of month for test audit**

The selection of months for detailed check during local audit is as follows:

The month(s) for Detailed Check /Arithmetical accuracy (AA. check) will be selected by the HQrs Sr. AO & approved by Group Officer and intimated to parties at the beginning of the quarter. In the Title Sheet, the parties should indicate after the month (s).selected.

### **3.13 Papers to be sent for Audit:**

For test audit of offices, the local audit party should be equipped with the following documents:

- (i) The precious inspection reports
- (ii) The statement of points to be examined at local inspection furnished by the (Hqrs) section
- (iii) The list of grants-in aid and loans relating to the office under inspection furnished by audit section
- (iv) List of outstanding objections which has been forwarded to the head of the institution concerned direct from the audit section
- (v) Newspaper clippings for local verification as ordered by the Accountant General (Audit)
- (vi) Necessary reference books, Acts, Manuals, etc.

### **3.14 Distribution of work among the members of the party.**

The Supervising Officer should distribute the work between the Asst. Audit 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 ( 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,

**3.15** 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.

**3.16** 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.

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 of the party.

**3.17 (a) Entry Meeting.**

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.

**3.18 Attendance Register:**

The Asst. Audit 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.

**3.19 Availing of holidays**

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.

**3.20 (a) Extension of period of local audit.**

- 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 (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, (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.
- ii) Approved tour programme should not be deviated without prior approval of HQrs Section.

**3.21 Grant of casual leave and restricted holidays.**

(1) Casual leave or restricted holidays should normally be availed of by members of inspection parties only after obtaining sanction. If any change of programme or alternative arrangement is necessary by granting such leave to inspecting AAOs the orders of Group Officer should be obtained. The casual leave register is to be maintained in (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.

The following instructions should also be noted for strict compliance:-

- 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
- ii) In emergent cases, where absence without prior sanction becomes inevitable, permission of supervisory officer/AAO 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 Authorised Medical Officer.



**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.

- iii) While recommending leave to an auditor / Sr. Auditor or applying for leave by an AAO, 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.

**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. (HQ)I or AAO/ (HQ) as the case may be.

### **3.22 Submission of weekly diaries:**

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 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.

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 AAO. Unattested entries will not be accepted and the person concerned will be treated as absent on these days.

Extracts of the diary should be sent by the Inspection Parties to (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 (HQrs) and submitted to the Group Officer.

**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.

(CAG's Lr. No. 173-O&M/12-75/1/ dated 24-9-1975.)

### **3.23.1 Submission of charge reports :**

i) The reports of handing over of charge of AAOs 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 (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 (HQrs).

ii) The AAO 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 should inter alia indicate the following:

1. State of work showing the extent to which the inspection has been carried out in the institution.
2. Particulars of files etc, received from (HQ) section
3. List of confidential files handed over.
4. List of other files and registers.
5. List of books (Codes, Manual etc)
6. List of sec ret books
7. File containing directions from Headquarters Sections (Vide Para 2.05)
8. Balance of permanent advance with vouchers
9. Balance postage stamps with stamp account.

### **3.24 Objections and Audit Query statements**

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 AAOs will be judged by number of final paragraphs and not by the number of objections slips issued.

**3.25** 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.

**3.26** 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.

**3.27 Issue of audit query statements:**

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.

The Inspecting AAO 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.

The query statement should be issued as soon as it is written up and not in lump towards the close of 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.

The Audit Enquiries should be serially numbered and dated and should be indexed in the AE Docket in the following Proforma:

**LIST OF AUDIT ENQUIRIES ISSUED**

<b>AE No /Date</b>	<b>Subject</b>	<b>Dated</b>	<b>Date of receipt</b>
		<b>Acknowledgement</b>	<b>of reply</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>

**3.28** 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 in a separate note along with the draft inspection report and test audit notes. The Group Officer will report the matter to the Secretary to Government of the Department concerned and the Secretary to Government, Finance Department if he considers necessary.

### **3.29 Audit evidence:**

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

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.

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

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.

(Auth: Para 3.5.1 to 3.5.5 of Auditing Standards of INTOSAI)

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.

**3.30** 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.

**3.31** 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.

**3.32** 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.

**3.33** 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.

**3.34** 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.

**3.35 Departmental Inspection Reports and their utilisation**

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.

### **3.36 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 error 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 (analysed 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. Resources 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 audit.

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.

(Auth: INTOSAI – Guidelines for Internal Control Standards for Public Sector)

Auditors should report deficiencies in internal control specially those of the following nature:

- Absence of appropriate segregation of duties consistent with appropriate control objectives
- Absence of appropriate reviews and approvals of transactions, accounting entries or systems output.

- Inadequate provisions for safeguarding of assets.
- Evidence of failure to safeguard assets from loss, damage or misappropriation.
- 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.
- Evidence of intentional override of internal control by those in authority to the detriment of the overall objectives of the system.
- Evidence of failure to perform tasks that are part of internal control, such as reconciliation not prepared or not timely prepared.
- Absence of sufficient level of control consciousness within the organization.
- 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
- Failure to follow up and correct previously identified deficiencies in internal control.

(Auth: Para 10.1 of the Auditing Standards)

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.

Auditors are required to report whether satisfactory action was taken or not, on the audit reports.

(Auth: Para 10.4 of the Auditing Standards)

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.

**3.37 Settlement of previous inspection reports:**

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 in the covering note forwarding the inspection report over his initials.

**3.38** It should be seen that defects reported in previous inspection reports and objection statements have 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.

**3.39** (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 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.

**3.40** The Inspecting Officer will return the reports to (HQrs) Section with a verification note indicating the action taken on the outstanding paras in the report along with the current inspection report

**Form A**

- 1) Name of office inspected:
  
- 2) Name of Section in Central Office which attends:  
to the inspection reports of the institution

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	

In respect of each outstanding paras the parties/ Inspecting Officers should indicate The development of the case since last audit

- (i) 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.
- (ii) 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.

The (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 and a review indicating the number of reports closed and the number of paragraphs settled during local audit

**3.41** On receipt of the statement from the parties, (HQ) Section should send the list to the Branch Officer of the Section concerned for further action

**3.42** If the objections cannot be settled locally, the Supervising Officer/AAO 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 (HQ) Section can take up the matter at appropriate level.

## **DEMARCATION OF DUTIES FOR PERSONNEL IN INSPECTION PARTIES**

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.

### **1. LOCAL AUDIT OF CIVIL OFFICES**

#### **A. Audit Officers**

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.

#### **B. Section Officer / Asst. Audit Officer**

- (i) Audit of the accounts of receipts;
- (ii) Audit of the accounts of stores;
- (iii) Examination of the cash book;
- (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.
- (v) Audit of all vouchers not submitted to central audit;
- (vi) Verification of drawals and deposits into treasury with reference to treasury records.
- (vii) Examination of the special points marked for special investigation by central audit.
- (viii) Audit of works expenditure;
- (ix) Accounts of stores, equipments etc. received under various foreign aid

programme;

- (x) Departmental inspection reports

**C. Senior of the two auditors:**

- i. Examination of service books, service rolls broadsheets and ledgers in respect of PF accounts of Gr. D staff etc.
- 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;
- iii. Check of disposal of previous inspection reports;
- iv. Check of disposal of previous inspection reports;
- v. Audit of expenditure by State Government in connection with large gatherings of political organisations;
- vi. Establishment pay bills;
- vii. Travelling allowance bills;
- viii. Register of undisbursed pay and allowances;
- ix. Register of advances;

Property accounts i.e. immovable property accounts like land, buildings and other assets.

**D. Junior of the two auditors:**

Dead-stock register;

- (i) Register of empties;
- (ii) Stamp account;
- (iii) Register of deposits;

Log books and diaries of Government vehicles;

**ANNEXURE-I To CHAPTER-3**

**(See Para 3.14)**

**Duty list/distribution of work**

Name of the Institution :

Period of Audit :

Dates of Audit :

<b>Sr. Audit Officer</b>	<b>Assistant Audit Officer</b>	<b>Auditor</b>
Item to be checked:	Item to be checked:	Item to be checked:
<i>Noted Please</i>	<i>Noted Please</i>	<i>Noted Please</i>
<i>Completed Please</i>	<i>Completed Please</i>	<i>Completed Please</i>

**ANNEXURE-II To CHAPTER-3**

(See para 3.36)

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	
<b>i)</b>	The budget of the Organization is prepared with due diligence and care?
<b>ii)</b>	Expenditure conforms to the budget?
<b>iii)</b>	There was excess / savings?
<b>iv)</b>	Excess/savings persistent?
<b>v)</b>	Allotment is as per requirement?
<b>vi)</b>	Allotment is received in time to enable fruitful expenditure?
<b>vii)</b>	There was rush of expenditure in March?



<b>Expenditure Control</b>	
Whether	
<b>i)</b>	The cash book is standard one with machine numbered pages?
<b>ii)</b>	Transactions are recorded in the cash book as and when they occur?
<b>iii)</b>	There is a system of daily closing of cash book?
<b>iv)</b>	The head of office verifies cash balance periodically?
<b>v)</b>	The custodian of money is the writer of cash book?
<b>vi)</b>	System of reconciliation is effective?
<b>vii)</b>	Recoveries to be remitted to other heads are remitted in time?
<b>viii)</b>	Advances are adjusted in time?
<b>ix)</b>	More than one advance for the same purpose is pending adjustment against same officer?
<b>x)</b>	Money is kept in the office in any form for long periods?
<b>xi)</b>	There is unnecessary drawing of funds?
<b>xii)</b>	Purchases are made as per approved rules and procedures?
<b>xiii)</b>	Purchases are as per requirements?
<b>xiv)</b>	Rules regarding approval of estimates/acceptance of tenders/issuing purchase orders etc. strictly followed?
<b>xv)</b>	System of stock taking, custody and issue of store are as per rules?
<b>xvi)</b>	Stores ledger and accounts are properly kept?
<b>xvii)</b>	Assets are safeguarded against fraud/error?
<b>xviii)</b>	Physical balance and book balance are compared and tallied?

<b>Operational Control</b>	
Whether	
<b>i)</b>	There is delegation of powers and division of responsibilities and they are documented and followed?
<b>ii)</b>	There is proper system to watch the receipt processing and disposal of correspondence?
<b>iii)</b>	The arrears in the disposal of correspondence is brought to the notice of the Head of Office at fixed intervals?
<b>iv)</b>	The system of opening new files, their movement and upkeep is satisfactory?
<b>v)</b>	Implementation of schemes/projects are monitored satisfactorily?
<b>vi)</b>	The registers/records etc. to be maintained are prescribed?
<b>vii)</b>	Various registers/records are kept up to date?
<b>viii)</b>	Returns/reports due from lower formation are received in time?
<b>ix)</b>	They are compiled and analyzed and used as monitoring tools?
<b>x)</b>	Returns due to controlling officers are sent in time?
<b>xi)</b>	Such returns conform to the actual performance of the Organization?
<b>Inspections/Conferences</b>	
Whether	
<b>i)</b>	The office is inspected at prescribed intervals by the controlling officers?
<b>ii)</b>	The lapses pointed out are rectified in time?
<b>iii)</b>	Lower formations are inspected by the office as prescribed?
<b>iv)</b>	The lapses pointed out are followed up to the logical conclusions?
<b>v)</b>	Decisions of conferences/meetings are minuted?
<b>vi)</b>	The decisions are implemented in time?

<b>Computerization</b>	
Whether	
<b>i)</b>	The organization has a policy of computerization?
<b>ii)</b>	The policy conforms to the objectives of the Organization?
<b>iii)</b>	The requirement of hardware/software are properly assessed and documented?
<b>iv)</b>	Purchases of hardware/software are as per requirement?
<b>v)</b>	Trained personnel are available?
<b>vi)</b>	The systems are installed and put to use?
<b>vii)</b>	The systems are properly safeguarded against fraud/error?
<b>viii)</b>	The proper controls have been defined and put in place?
<b>ix)</b>	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	
<b>i)</b>	Proposals for financial assistances from lower formations/other client organizations to Government are routed through the Directorate?
<b>ii)</b>	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?
<b>iii)</b>	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?
<b>iv)</b>	The terms and conditions regarding utilization, rate of interest and repayment are fixed before the disbursement of loan/ subsidy, etc.?
<b>v)</b>	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** .....

## CHAPTER – 4

### PRINCIPLES AND PROGRESS OF AUDIT

**4.01** 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.

The special rules and instructions applicable to the accounts of certain offices or institutions are given separately in Chapter-13. 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.

#### **4.02 Receipts:**

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:

- (a) Adequate regulations and procedure have been framed to secure an effective check on the assessment, collection and proper allocation of revenue ;
- (b) Such regulations and procedure are being observed;
- (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;
- (d) A register of all recurring and non-recurring demands is kept in accordance with the rules, and collections watched against it;
- (e) Arrangements for collection are satisfactory and there are no outstandings requiring special notice.
- (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;
- (g) Moneys received are brought to account immediately and ordinarily there is no undue delay in their remittance into treasury;
  - (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
  - (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.

#### **4.03 Audit of Demand Register**

- (i) The demand Register should be examined to see that :
  - (a) All demands have been correctly noted in the register;
  - (b) All sums due are received and checked against demands, and  
The demands are realised punctually and fully.
- (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.

#### **4.04 Audit of Receipt Books:**

The stock account of duplicate carbon or counterfoil receipt books should be examined to see that :

- (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;
- (b) Only one book is issued to an individual officer on return of the previous used up book;

- (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;
- (d) The issue of a receipt book and the return of a used up book are duly acknowledged;
- (e) As for cancelled receipt forms both the original and the duplicate are retained in the receipt book; and
- (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.
- (g)

#### **4.05 Audit of Expenditure.**

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:

It should be seen that:

- (a) There is proper sanction, either special or general, accorded by competent authority authorising the expenditure;
- (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;
- (c) The charges incurred do not exceed any rate or scale fixed under the rules or orders issued by competent authority;
- (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.
- (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 )
- (f) Entries in the local accounts are properly vouched;
- (g) The acquittances of menials for whom pay has been drawn on contingent bills, have been duly taken in the office acquittance rolls;



- (h) The entries of payments in the local accounts have been initialled by the disbursing officer after examination;
- (i) All materials and stores billed for, have been brought on to the respective inventories;
- (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;
- (k) Contract agreements for the supply have been executed;
- (l) The quality and quantity of stores have been certified as correct before payment;
- (m) The rates paid are not in excess of the accepted market rates;
- (n) Suitable notes regarding payment have been recorded against the original indents and the invoices concerned to prevent double payment;
- (o) On the sub-vouchers, dates of payment are recorded;
- (p) The details when added up tally with the totals;
- (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
- (r) Expenditure has not been incurred with a view to preventing the lapse of budget allotment, or charges incurred in one year have not been met from the budget allotment of the next year;
- (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
- (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.

#### **4.06 Audit of establishment vouchers**

- (i) 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) 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.

#### **4.07 Audit of Contingent Vouchers:**

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) It should be seen, in addition to the points mentioned in the above paragraphs that
  - (a) The sub-vouchers contain pay orders signed by competent authority and they are supported by payee's acknowledgement with date of payments;
  - (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.
  - (c) The totals are noted in words as well as in figures;
  - (d) Any alterations in the figures have been attested by the officer authorising payment;
  - (e) Revenue stamps have been affixed to the payees' receipts in all vouchers for sums over Rs.5000/- and the stamps have been defaced.
- (ii) 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: -
  - (a) Heavy payments made to firms in cash instead of by cheque or bills endorsed in favour of the firms
  - (b) Fraudulent withdrawals by altering the amount shown in the vouchers;
  - (c) Purchases in excess of financial powers;
  - (d) Presentation of duplicate claims.

(C&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 –

- (iii) 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.
2. Where amounts are drawn on abstract contingent bills the drawing officers should continue to send detailed contingent bills in their present form to directorates officers. The Local Audit Party of the AG (Audit) will conduct a test check of the supporting vouchers at the time of the local audit of the offices concerned.

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 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 Director of Account, 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.

(CAG's Office Lr.No. 620-Audit.II/172-83 Cir.No. 15-Aud.II/1985) dated 14-5-1985

#### **4.08 Audit of Abstract Contingent Bills**

The following instructions based on CAG's guidelines regarding local audit of Abstract Contingent bills should be followed by the Local Audit Parties:

1. Sub-vouchers below Rs.500/- kept in local offices should be put to normal audit checks to see whether
  - (a) The amount drawn was required for immediate utilisation.

- (b) The amount was adjusted within the stipulated period of 60 days from the date of drawal.
  - (c) The vouchers were chronologically and systematically maintained to prevent double drawal.
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.
  3. The OA/CA 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 & E) directly. Non-adjustment of Abstract Contingent bill should be commented in the inspection reports

#### **4.09 Audit of Contingent Register:**

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 :

- (a) Each entry is initialled by the drawing officer;
- (b) They are correctly entered in the columns which show as heading the classification under which the expenditure falls;
- (c) The total of the sub-vouchers agrees with the total of the contingent bills drawn;
- (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;

The total of the bills drawn in the Contingent Register are also checked

#### **4.10 Audit of Travelling Allowance Bills:**

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.

(Please also see Para 3.2.15 of MSO (Audit ) Second Edition-2002 )

**4.11 Audit of vouchers relating to overtime allowance:**

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.

(CAG's Office Lr. No. 1142/TA I/140-82 dated 14-9-1982)

**4.12 Check of permanent advance:**

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.

**4.13 Treasury Bill Book:**

It should be seen that:

- (a) All bills drawn and presented are entered in the register;
- (b) Entries in columns 1 to 6 and 12 to 13 have been attested by the Head of the Office inspected,
- (c) The date and amount of payment have been attested by the Treasury Officer;
- (d) There are no erasures, over-writings, etc. in the registers; and
- (e) The cash received has been taken correctly to the cash book.

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.

**4.14 Stamp Account:**

It should be seen that:

- (a) The account has been maintained properly bringing into account all receipts and issues;
- (b) The physical balance has been verified periodically and agreed with the book balance;

The postage stamps have been issued for official purpose only; and

#### **4.15 Cash Accounts:**

- (i) 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.
  
- (ii) The cash books should be examined to see that:
  - (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;
  - (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;
  - (c) All payments are supported by proper vouchers, acquittance rolls etc. which are complete in all respects;
  - (d) The totals are correct and the balance correctly worked out;
  - (e) Private cash is not mixed with the cash balance of Government;
  - (f) The cash book is closed and balanced on the prescribed dates;
  - (g) There are no erasures or interpolations and errors are rectified properly;
  - (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;
  - (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;
  - (j) The expenditure shown in the permanent advance column, justifies the full amount of the permanent advance;
  - (k) Expenditure has not been incurred in excess of the permanent advance by spending from the departmental receipts, except when specifically authorised;

- (l) The local audit Party auditing the accounts of the Dt. Supdt of Police should test check the 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
- (iii) 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.
- (iv) 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.
- (v) 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.
- (vi) All irregularities relating to the accounting of cash whether technical or material should be mentioned invariably in Part II of the Inspection Report.
- (vii) In cases where the cash book is maintained properly and the rules observed correctly, the Supervising Officer/AAO of the OAD Party should mention the fact specifically in the letter forwarding the inspection report.

#### **4.16 Cash verification:**

The supervising officer or when the party is unsupervised, the AAO 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
  - Misappropriation i.e. unexplained shortage of cash
  - Unadjusted advances given from un-disbursed cash or
  - Unadjusted voucher specifying disbursements on account of item for which there are no allotment or sanction.
- (f) Cases of retention of heavy cash balances.

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 up to 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) 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).

#### **4.17 Accounting of Non-Government Money:**

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 Goa Treasury are observed.

#### **4.18 Audit of Property Account :**

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.

#### **4.19 Stores and Stock Accounts:**

- (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)
- (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) (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 (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.
- (v) (a) The Supervising Officers and the AAO 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. Whether conversion of money to materials has been done merely to prevent surrender of the grants  
(b) 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

(c) 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.

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.

(CAG's Gen. Cir. No. 1204 - 84 (s) /76-82/11 dated 30-7-1982).

#### **4.20 Purchase of stores:**

The accounts relating to acquisition of stores should be examined with a view to ensuring:-

- (i) That a reasonable estimate has been prepared regarding the requirements for the year;
- (ii) That the annual indent has been prepared.
- (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;
- (iv) That sufficient funds have been provided and the expenditure has been properly sanctioned;
- (v) That purchases have been made by tender system duly observing price preferences;
- (vi) That the quotations/tender notices are in the prescribed form;
- (vii) That sufficient time is allowed to tenderers to submit their tenders;
- (viii) That a time has been fixed for firmness of offers;
- (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 writing.
- (x) That the prescribed EMD has been collected unless exempted under Article 132 of Financial Code, Volume I. (In the case of running contracts collection of EMD is compulsory);
- (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;
- (xii) That terms of supply have been fulfilled by the supplier in all respects;

- (xiii) That the rates paid agree with those shown in the contracts/agreements;
- (xiv) That certificates of quality and quantity are furnished by the government servants who receive the stores before payment is made;
- (xv) That purchase orders have not been split up in order to avoid sanction of higher competent authorities;
- (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;
- (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;
- (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;
- (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.

(CAG's Endt. No. 2434 Admn.I/628-54 dated 18-12-1954)

#### **4.21 Custody and issue/disposal of stores:**

It should be examined:

- (i) Whether the permissible limit for the value of stock in hand has been exceeded at any time without justifiable reasons;
- (ii) Whether the departmental regulations provide adequate arrangements for the safe custody and controlled issue of stores;
- (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.

- (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;
- (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. ;
- (vi) Whether the issues of articles for direct consumption on works or manufacture are regulated in accordance with the scales prescribed by competent authority;
- (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;
- (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.
- (ix) Whether amounts shown against depreciation, shortages, etc. when written off, give a break-up of the figures under :
  - (a) Depreciation
  - (b) Shortages
  - (c) Losses

and indicate :

- The period to which the shortages or losses relate;
  - 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.
- (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.

#### **4.22 Audit of contracts and agreements**

The responsibility for the conclusion of contracts for works to be done and supplies to be made and for enforcing them rests with the Executive

However, scrutiny of these contracts or agreements entered into by government servants on behalf of Government constitutes one of the important functions of audit.; The loss or wastage of public money and also to ensure that the rules and regulations provide reasonable security against malpractices.

### **General Principles governing audit of contracts**

The union Government has laid down the following fundamental principles for the guidance of authorities authorised to enter into contracts or agreements involving expenditure from the Consolidated Fund of India.

- i) The terms of a contract must be precise and definite, and there must be no room therein for ambiguity or misconstruction.
- ii) Standard forms of contracts should be adopted wherever possible, the terms being subjected to adequate prior scrutiny.
- iii) As far as possible legal and financial advice should be taken in the drafting of contracts before they are financial entered into.
- iv) No contract involving an uncertain or indefinite liability or any condition of an unusual of character should be entered into without the prior consent of the competent financial authority.
- v) Similarly, terms of a contract once entered into should not be materially varied without the prior consent of the competent financial authority.
- vi) Contracts should invariably be placed only after inviting open tenders and the lowest tender accepted. In cases where it is not considered practicable to invite open tenders or to accept the lowest tender, the reasons for the deviations should be recorded.
- vii) In selecting the tender to be accepted, the financial status of the tendering individuals and firms must be taken into consideration, in addition to all other relevant factors.
- viii) Even in cases where a formal written contract is not entered into, no order for supplies should be placed without at least a written agreement in regard to price.
- ix) Provision must be made in contracts for safeguarding government property entrusted to contractors.
- x) When a contract is likely to endure for a period of more than five years, it should include, wherever feasible, a provision for its unconditional

revocation or cancellation by Government at any time after the expiry of six months' notice to that effect.

Though these guiding principles are primarily in the nature of financial rules, they are nevertheless of relevance from the audit perspectives as well.

Deviations from contracts require authority not inferior to that required for the conclusion of the original contract. Audit should also see that any payments outside the strict terms of the contract or in excess of the contracted rates are not made without the consent of the competent financial authority.

Regarding the procedure of audit of Measurement Books, Muster Rolls, Works Accounts, the Manual of Public Work Inspection may be referred to.

#### **4.23 Security Deposits:**

It should be seen that:

- (a) Security is taken as required under rules from persons entrusted with the custody of cash or stores ;
- (b) Security deposits are covered by a proper bond or agreement setting forth the conditions under which the security is held ;
- (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;
- (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;
- (e) The register as well as the securities are examined at least once a year by a responsible officer of the department.
- (f) Either the securities or the acknowledgements of their authorised custodians (vide Government securities Manual) are produced for inspection;
- (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.

#### **4.25 Acquittance Rolls of establishments**

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

#### **4.26 Check of log books, etc. relating to Government vehicles including staff cars and station wagons.**

- i) A list of staff cars, lorries, jeeps, etc. in use in the office inspected should be called for and it should be ascertained whether 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 :
  - (a) They are maintained in accordance with the rules prescribed.
  - (b) Effective control is exercised over the use of the vehicles and the consumption of petrol/diesel.
  - (c) The vehicles are used only under proper sanction and for authorised purposes;
  - (d) Recoveries are correctly and promptly effected in cases where the vehicles are used for non-official purposes.
  - (e) Entries regarding the distance between the places travelled are correct; and
  - (f) The entries in the log book agree with tour diaries, if any, submitted by the officer.

**NOTE :** The Staff Car Rules issued by the Government of India may be referred to for guidance.

#### **4.27 Proforma Accounts :**

- 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 (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 (HQrs) Section. (HQrs) Sections 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.

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 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.

- 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 :
  - (a) The figures appearing in the proforma accounts tally with the figures booked in the office of the Directorate of Accounts under various heads.
  - (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.
  - (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.

The above instruction apply mutatis mutandis to the audit of self contained account of receipts and expenditure and cost account.

#### **4.28 Audit of centrally assisted / sponsored schemes.**

The local audit and central audit parties should be instructed to indicate in the Inspection reports, details of the scheme, the drawing officers and classification in respect of the amounts held under objection in the course of their audit. The local audit parties should also be advised to collect, in the course of their audit of the sanctioning authorities, relevant information in regard to utilisation certificates not furnished.

While certifying the expenditure objections of a routine nature such as non-availability of some vouchers, absence of budget allotment, non-availability of sanction, etc, which would not affect the Central assistance may be ignored. It should, however, be borne in mind that:

- i. The amounts drawn in abstract bills for which detailed bills have not been submitted should be excluded,
- ii. Any item of expenditure found to be clearly ineligible for Central assistance with reference to the terms or the instructions of the Government of India governing such assistance should not be included and if the amount involved cannot be precisely determined, the certificate should be qualified accordingly,
- iii. Any point of doubt in regard to eligibility for Central assistance should be got clarified from the administrative ministry concerned, and
- iv. The certificate should be qualified that it has been issued without prejudice to the right of the Comptroller and Auditor General to include in the Audit Report any comments arising out of the audit in regard to utilisation of Central assistance by State Governments.

The Local Audit Party from CASS Section are to audit the accounts of the centrally assisted/sponsored schemes and submit the inspection report to the CASS section.

#### **4.29 Audit of deposit repayment vouchers.**

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.

Supervising Officer or in his absence, the senior Asst. Audit Officer should ensure that the special report is sent to (HQrs).

#### **4.31 Dealing with Fraud and Corruption**

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.

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.

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.

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.

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.

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.

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.

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.

The auditor may rely on the following sources for evidence:

- Originals or photocopies of documents from the auditee.
- Internal Audit Report
- 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 for further action.

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

## CHAPTER 5

### VERIFICATION OF SERVICE BOOKS, LEAVE ACCOUNTS AND INCREMENTS

**5.01** 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.

**5.02 Quantum of check.**

The service books of the members of staff in an office should be checked to the extent prescribed below :

<u>Periodicity of audit</u>	<u>Quantum of check to be done.</u>
<u>Annual</u>	<u>25 percent</u>
<u>Biennial</u>	<u>50 percent</u>
<u>Triennial, quardrennial and quinquennial</u>	<u>100 percent</u>

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.

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 :

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.
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.

A separate note containing the following details of verification should be furnished by the Local Audit party along with the Inspection Report :

- (i) Total number of service books maintained in the office.
- (ii) Number of service books selected for scrutiny according to quantum fixed.
- (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).
- (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.

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.

**5.03** 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 (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.

(CAG's Lr. No. 32 Admn.II/349-61 dated 4-1-1963.

#### **5.04 Check of Service Books and Leave Accounts**

While checking the service books it should be seen that

- (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.
- (ii) Entries of all events in the official career of a Government Servant are made in his Service Book and attested by competent authority.
- (iii) The service books contain certificate of annual verification of service with reference to Acquittance Rolls etc.
- (iv) No alteration of the date of birth is made without sanction of the competent authority.
- (v) The entries in the first page are re-attested every five years
- (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.
- (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.

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.

#### **5.05 Audit enfacement.**

The service books checked during local audit should bear an audit enfacement in the following form duly signed by the supervising officer/ AAO in charge of the Audit Party. The signature should be dated.

"Checked during the local audit / inspection and found in order ".

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.

**5.06 Check of retention in service beyond the date of superannuation.**

All local Audit Parties should ensure during local audit that the checks are carefully complied with by the Heads of Offices. 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.

**5.07 Personal claims of State Government Officers**

At the time of local audit at each Office the Supervising Officer/ AAO 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.

**5.08 Issue of audit enquiry regarding recovery of excess payments etc.**

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 Goa. 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.



## CHAPTER 6

### AUDIT OF LOANS

**6.01** The financial rules and orders issued by Government prescribe the authority which should maintain detailed accounts of loans and watch recoveries and payment of interest. In cases where the Directorate of Accounts maintain such detailed accounts, subsidiary loan registers are also maintained by them for advising the loanees about the instalments of principal and interest falling due periodically and for watching their remittance. After departmentalisation of accounts, the Pay and Accounts Officers also maintain similar subsidiary registers in respect of loans the detailed accounts of which are maintained by them. These registers contain details, in respect of each loan, of the amount disbursed, the interest accrued from time to time, the instalments of principal and interest paid by the beneficiaries and the balances outstanding. The Director of Accounts and Pay and Accounts Officers also maintain suitable broadsheets in respect of loans accounted for in their books. Other departmental officers, who are required to administer loans and maintain the related accounts, also maintain similar subsidiary registers and broadsheets. In the case of loans granted by Government of India to the State Governments, besides maintaining detailed accounts, the Director of Accounts also arrange for payment of the instalments of principal and interest due to the Government of India. This is arranged through the Reserve Bank of India after obtaining the consent of the State Governments wherever necessary.

The registers and the broadsheets maintained by the Pay and Accounts and departmental offices should be reviewed in local audit to verify whether:

- i. Payment, on the due dates, of the instalments of principal and interest by the loanees is properly monitored;
- ii. Penal interest has been levied on overdue instalments;
- iii. Loans paid and repaid and the interest remitted have been properly accounted for;
- iv. Conditions, if any, prescribed by the sanctioning authority have been fulfilled;

any amount paid has been erroneously treated and credited as repayment of the principal when any sum is due on account of unpaid interest; and

- v. Acknowledgments have been obtained periodically from the debtors in respect of outstanding balances.

**Note:** In cases where the Public Works Department incurs expenditure on works executed under special orders and such expenditure is treated as a loan, the amounts debit to several loan accounts will appear in the monthly accounts of the divisional offices and these would be deemed to have been advanced on the last day of the month in which the expenditure appeared in the divisional accounts.

### **6.02 Scope of audit :**

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.

### **6.03 Accounts Records:**

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.

The more important accounts records are given below :

- i) Application for loans and enquiry reports.
- ii) Valuation reports of properties offered as security.
- iii) Loan orders ( Sanctions )
- iv) Payment vouchers with acknowledgment of loanees.
- v) Security bonds.
- vi) Periodical progress reports to higher authorities.
- vii) Loan ledgers and subsidiary registers, if any.
- viii) Control Register.

#### **6.04 Process of audit**

It should be seen that --

1. The application are in proper form and contain all the required details essential for the sanction of loans.
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.
3. The loan order is within the amount admissible under the rules and within the power of the sanctioning authority.
4. The amounts sanctioned are according to the immediate requirements.
5. The amounts are drawn and disbursed only up to the required extent and not with a view to avoid lapsing of funds.
6. The receipt and disbursement of money are promptly and properly recorded in the cash book.
7. the security bond is kept in safe custody
8. The fact of payment is clearly recorded and acknowledgement obtained from the loanees.
9. When the loan amount is disbursed in instalments, the conditions stipulated for the release of each instalment are satisfied.
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.
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;
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.
13. The periodical returns prescribed have been prepared and sent on the due dates to the authorities concerned.
14. The demand, collection and balance statement shows the position correctly on any fixed date;

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;
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

**6.05 Loans under the Low Income Group Housing Scheme and Middle Income Group Housing Scheme.**

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.

**6.06 Inspection Report :**

The results of audit should be incorporated in the Inspection Report of the office, the expenditure of which is locally audited.

**6.07 Material to be collect for the Audit Report**

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.

**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,

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 (HQ)rs. The special reports will be edited by CASS.(HQ)rs and forwarded to Report Section for further action.

## **CHAPTER 7**

### **AUDIT OF AUTONOMOUS BODIES**

**7.01**            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&AG's (Duties, Powers and Conditions of Service) Act, 1971 and is supplemental to those contained in the C&AG's Manual of Standing Orders (Audit). The instructions in the manual are not exhaustive and have to be supplemented in the field with reference to the nature of the organisations and transactions of different autonomous bodies.

Social Sectors 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&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&AG, from OA Headquarters and OA Central, their consolidation and despatch. The audit of institutions under Section 15 is arranged by Social Sectors (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 Headquarters/ as the case may be and action on the results of audit is taken up by these sections.

**7.02**            The audit and certification of Autonomous Bodies under the State Government is entrusted with all Section in the Branch Office of the Accountant General Goa. The work is a specialized one and undergoes many stages before the final audit report is issued.

**7.03** 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 Social Sectors/Economic Sector I/Economic Sector II/General Sector.

**Social Sector:**

1. Goa University, Taleigao, Section 19(3)
2. Goa Housing Board, Porvorim Section 19(3)
3. Goa State Commission for Backward Classes, Panaji Section 19(3)
4. Goa Board of Secondary and Higher Secondary Education Section 20(1)
5. North Goa Zilla Panchayat, Panaji, Section 20(1)
6. South Goa Zilla Panchayat, Margao. Section 20(1)
7. Goa Sarva Shiksha Abhiyan, Section 20(1)

**Economic Sector I:**

1. Khadi Village Industries Board Section 19(3)

**Economic Sector II:**

1. Goa Tillari Irrigation Development Corporation, Section 19(3)

**General Sector:**

1. Goa State Legal Service Authority, Panaji, Section 19(2)
2. North Goa District Legal Service Authority, Panaji Section 19(2)
3. South Goa District Legal Service Authority, Panaji. Section 19(2)

**7.04 Entrustment of audit**

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&AG's DPC Act. Action in this regard is to be initiated by the Headquarters at Main Office sectors will address the Govt/Body and the CAG on this matter. When the concurrence is received, the fact will be intimated to the (HQrs).



### **7.05 Time frame**

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. .

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)

1. Availability of accounts	By 30 <sup>th</sup> June
Completion of audit	By 31 <sup>st</sup> August
Draft SAR to Chief Executive for reply.	By 15 <sup>th</sup> September
(Only two weeks time for receipt of replies from the autonomous body i.e. up to 30 <sup>th</sup> September ).	
Draft SAR to C&AG whether reply of autonomous body is received or not	By 7 <sup>th</sup> October
(If reply received, with aide-memoir).	
Approved SAR will be sent by HQrs within two weeks from the receipt from field office.	By 21 <sup>st</sup> October
Final SAR in English version with Audit Certificate to be issued to the Autonomous body	By 31 <sup>st</sup> October
Hindi version of final SAR where this is done by AG/PDA themselves.	By 15 <sup>th</sup> November
Copy of SAR with Audit Certificate as issued to the Autonomous Body should be endorsed to HQrs. simultaneously.	By 31 <sup>st</sup> October

This again has been reiterated as per Circular letter of Hqrs No.1-Rep(AB)/171-2005 dated 3-1-2006.

### **7.06 Checking of accounts received**

On receipt of the accounts in (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.

1. Balance sheet- duly authenticated
2. Income and expenditure account duly authenticated
3. Receipt and Payment account duly authenticated
4. Schedules supporting the figures in Balance Sheet.
5. Significant Accounting policies.
6. Notes on Accounts.
7. Minutes of the Meeting of the Authority /Body approving the annual accounts.
8. The accounts should not bear the seal and signature of the Chartered Accountant who prepared the accounts.

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.

#### **7.07 Arrangement of audit.**

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.

The Parties and Supervising officer should be directed to report to (HQ) 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.

#### **7.08 Audit and certification**

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.

### **7.09 Audit procedure**

(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

(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.

(c) It is necessary to examine whether appropriate and adequate systems and procedures are in place for:

1. Proper accounting of receipts, expenditure and assets;
2. Monitoring of unrealized revenues and un-discharged liabilities;
3. General control over expenditure;
4. Sanctions to expenditure, remission of revenues and transfer/ disposal of assets;
5. Safe custody of cash, stores and other assets; and
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 commented in SARs.
5. **Fund Accounts:** 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.

6. ***Depreciation and Capital assets:*** 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;

“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”.

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.

7. ***Accounting of transactions on accrual/cash basis and exhibition in Balance Sheet:*** 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.
8. ***Cross checking of accounts with schedules:*** 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.
9. ***Bank reconciliation:*** 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.
10. ***Revision of Accounts:*** 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.
11. ***Register of Assets:*** 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-availability of such certificates is commented upon in SAR.

12. ***Concise and brief comments:*** 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.
  
13. ***Unspent Grants:*** 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.
  
14. ***Realization of income due to the organization:*** 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.
  
15. ***Completeness in Accounts:*** 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 & 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.

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.

(Auth:HQrs.lr.No.111-Rep(AB)/49-99 dated 31-5-99)

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.

(Authority : Para 4 of HQrs.lr.No.77-Rep(AB)/63-2004 dt:5.4.2004)

#### **7.10 Internal Control System of Autonomous bodies**

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&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 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.

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:

- Policies and procedures
- Scope and independence of internal audit
- Receipt and disbursement of cash
- Mixing of funds (Plan/Non plan)
- Purchase/custody of investments/securities
- Accounting and receipt of interest on investments/securities
- Fixed assets/vulnerable assets
- Disbursements/payables
- Payrolls/Loans and advances to the individuals
- Bank balances/Bank reconciliation
- Manpower analysis

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.

(Auth: No.77-Rep(AB)/63-2004 dated : 5-4-2004 of HQrs. Office)

#### **7.11 Format of Separate Audit Report**

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.

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.

### **Introduction**

#### **1. Comments on Accounts**

##### **2. *Balance Sheet***

**2.1 *Liabilities:*** Deficiencies noticed against various head may be commented in short sub-paras.

**2.2 *Assets:*** Deficiencies noticed against various heads may be commented in short sub-paras.

##### **3. *Income and Expenditure Account***

**3.1 *Expenditure:*** Deficiencies noticed against various head may be commented in short sub-  
paras.

**3.2 *Income:*** Deficiencies noticed against various heads may be commented in short sub-paras.

##### **3.3 *Excess of Income/Expenditure over Expenditure/Income***

#### **4. *Receipt and Payment***

##### **4.1 *Receipts***

##### **4.2 *Payments***

#### **5. *General***

### **Accounting Policies and Notes to Accounts**

Brief comments about deficiencies noticed in accounting policies, notes on accounts, suitable disclosures not given on matters concerning accounts may be included.

#### **6. *Effect of Audit Comments on Accounts***

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.

7. *Lack of response* (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)

**7.12** The Party and Supervising Officer should report at (HQ) after completion of audit to discuss the draft Audit Report. (HQ) should see the following:

- (1) Whether the report has been drafted as per Style Guide issued by the CAG (Appendix-VIII of this Manual)
- (2) All points relating to accounts have been commented in the Draft SAR
- (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
- (4) Whether audit certificate have been prepared as per guidelines issued by the 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** (a specimen given in Annexure I to this Chapter)
- (5) Whether a Brief Note on Internal Control submitted as required in C&AG's Circular Dated 5-2-2004.
- (6) Whether key linking figures are submitted,
- (7) Working sheet showing net impact of audit comments,
- (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.
- (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.

- (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)
- (11) Statement of working days, leave, transit etc. for calculation of claim for audit fees

The party and officer are to be relieved after the above checks are completed.

### **7.13 Editing by section**

- (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
- (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 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 AG along with the Draft SAR.
  - i) Note seeking approval of AG 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 (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 (HQrs) and approval by AG, 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. Goa University, Taleigao, Section 19(3)
2. Khadi Village Industries Board Section 19(3)
3. Goa Housing Board, Porvorim Section 19(3)
4. Goa Tillari Irrigation Development Corporation, Section 19(3)

(f) Draft SARs of the following bodies are not required to be sent to CAG for vetting:

1. Goa State Commision for Backward Classes, Panaji Section 19(3)
2. Goa Board of Secondary and Higher Secondary Education Section 20(1)
3. Goa State Legal Service Authority, Panaji Section 20(1)
4. North Goa District Legal Service Authority, Panaji Section 20(1)
5. South Goa District Legal Service Authority, Panaji. Section 20(1)
6. North Goa Zilla Panchayat, Panaji Section 20(1)
7. South Goa Zilla Panchayat, Margao Section 20(1)
8. Goa Sarva Shikhsha Abhiyan, Section 20(1)

- (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

- (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 AG 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) 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 AG as described above. If the draft SAR is not required to be sent to CAG, e.g. DLSAs, GSCBC, GBSHSE, the draft SAR may be issued as final AR with audit certificate by AG.
- (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 Government that the present report will be placed along with the previous report(s) on the Table of the Legislature.
- (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.

#### **7.14 Inspection Reports**

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 (HQ) for watching their clearance.



### **7.15 Audit Fees**

When the audit is completed and Audit Report/Audit Certificate issued, a demand for audit fees should be raised against the autonomous Body. 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. The statement thus prepared is sent to AG for approval through ITA .When the statements are received back after checking by ITA and approval by AG, 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&E), Mumbai by Demand Draft. Copies of the letter are endorsed to the Sr. Audit Officer (Admn) O/O AG(Audit) and The Pay and Accounts Officer (Audit), O/O AG(A&E).Mumbai.

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.

**ANNEXURE-1**

**Chapter 7.12**

**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:

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**

**Chapter 7.12**

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 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 AG 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) To

The .....  
.....

Sir,

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.

- 1.
- 2.
- 3.

Accountant General

## **CHAPTER 8**

### **RESULTS OF INSPECTION**

#### **8.01 Form of the Inspection Report**

The results of local audit by the inspecting staff are communicated through Inspection Reports which should be written up in the following form :

##### **PART I**

1. Introductory
2. Outstanding objections from the previous reports
3. Schedule of persistent irregularities

##### **PART II**

Section A : Major irregularities that are likely to materialise into Draft Paragraph of the Audit Report and those relating to system failure

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.

##### **PART III**

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. (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&AG).

- 8.02** 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 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 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.

### **8.03 Preparation of Inspection Reports**

- (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 inspecting AAO where there is no supervision.
- (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 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.

- (iii) Each Supervising Officer/AAO should write out the report himself and not leave it to his subordinates.

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.

( CAG's Office No. 20/715/TAI/106-81 dated 20-6-1981 )

- (iv) In drafting the inspection report the Supervising Officer /AAO 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.

- (v) **Exit meeting / Discussion of Inspection Report with the Head of Office.**

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 the observations proposed to be incorporated in the Inspection Report were discussed with the head of the office and his views taken into consideration while finalising the Inspection Report.

- (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 in charge of the party.

The covering letter enclosing the TAN should include a disclaimer statement as given below :

" The Test Audit Notes have been prepared on the basis of information furnished and made available by the Auditee. The Office of the Accountant General (Audit), Goa disclaims any responsibility for any misinformation and / or non-information on the part of auditee. "

( HQrs. Letter NO. 14-LC/III/2005 dated 20-1-2006

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.

( CAG's No. 2374. Tech. Admn. I/ 367-65 dated 7-8-1965).

- (vii) The Supervising Officer / AAO 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 there for and also the period of extension sought for.

#### **8.04 Method of drawing up the Inspection Report.**

- (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.

(b) Months Selected not to be mentioned in the Inspection Report:

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.

( CAG's Lr. No. 12 Admn. II / 954 dated 6-2-1964 ).

(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 :

- (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.

- (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.
- (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.
- (iv) Irregularities in chalans are often the subject of long comments in Test Audit Notes. 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.

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.
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. III**) 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
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 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. 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.
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.

In this connection please refer to Para 8.08 regarding performance of audit parties and categorisation of objections

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.
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&AG.
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&AG's guidelines issued in "Style Guide" (**Appendix-III**) may be followed.
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.

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.

( CAG's Lr. No. 2543-TA-I/264-71 dated 16-11-1971

### **8.05 Drafting / vetting of Inspection Report**

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 may draft the report exercising the same amount of care and forward the draft Inspection Report with rough notes to (HQrs) for approval by AO(HQrs).

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 a finished product, ripe for issue without any touching up in the Central Office.

### **8.06 Submission of Inspection Report to Headquarters :**

- (a) In submitting the draft inspection report to the Headquarters the Inspecting AAO 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.

The following points should be borne in mind by field Parties while preparing and forwarding Inspection Reports / Test Audit Notes to HQrs.

- (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.
- (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.
- (iii) Certificate of nominal and number audit should be furnished in the title sheet.
- (iv) Index of irregularities and questionnaire on stores and stock, properly filled up, are to be enclosed with the draft inspection reports.

- (v) When part II of the Inspection Report is Nil, a Nil report is to be furnished;
  - (vi) Statements in Forms 'A' and 'B' are to be furnished on separate sheets.
  - (vii) Items of original work done by supervising officer should be indicated against "remarks of Supervising Officer" in the title sheet.
  - (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.
  - (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.
  - (x) Statement of the details of payments collected from the Treasury and verified with initial records (3.14(b))
  - (xi) The months selected for detailed audit and check of arithmetical accuracy exercised are to be indicated in the title sheet.
  - (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.
  - (xiii) The certificate of review of 10% of work done by auditor should be recorded in Part-C of Title Sheet.
  - (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.
- (b) The Inspecting AAOs 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.

- (c) The report should also be accompanied by
- (i) A certificate under the dated initials of the AAO that the receipt books used 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
  - (ii) That the unused receipt books are under proper custody and have been verified and found correct and
  - (iii) A certificate as precisely as possible about the general state of accounts examined by him.

### **8.07 Examination of the Inspection Report**

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.

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.
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.
3. If a para is proposed to be deleted from the Inspection Report by the section, reasons thereof should be indicated in the margin.
4. Objections raised in regard to fixation of pay should be scrutinised with reference to the relevant rules. and the pay revision orders and any other service regulations wherever necessary
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.

6. Objections of similar nature may be grouped together to form a single para.
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.
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 (HQ) with remarks of the Section.
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 separately.
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 Reports' maintained in (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.

Before submission of the report to the AO / DAG for approval, the Section should ensure the following :

The report has been received in complete form and the following enclosures have been received and necessary certificates attached.

- (i) Title Sheet with individual work profile
- (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(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

While scrutinising draft inspection reports the DAG 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. 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 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.

**8.08 (i) Performance of Audit Parties**

The performance of field parties and the quality of inspection report are monitored through a performance register maintained in Form-XVI at the (HQ) Section

**(ii) Grading of Inspection Reports**

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

**8.09 Forwarding of Inspection Reports:**

(i) It has been decided by the C&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 :

" The Report has been prepared on the basis of information furnished and made available by the auditee(s). The Office of the Accountant General (Audit), Goa, disclaims any responsibility for any misinformation and / or non-information on the part of auditee."

(Headquarters letter No. 14-LC/III-2005/ dated 20-1-2006

- (ii) 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.

(Lr. No. 2205-Admn.II/608/Admn. I/58 dated 11-9-1959 of CAG of India, )

**(iii) Inspection Report of Raj Bhavan**

The Inspection Report may be sent to the Secretary to Governor of Goa and consider separate independent reference to the Ministry of Home Affairs, if need be, after discussing the aspect with the Secretary to Governor.

**8.10 Issue of Inspection Report**

Inspection Reports are to be issued within one month from the date of completion of the inspection.

The period of one month has to be computed as under :

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
4 working days	For the DAG to approve the report (as there is only one DAG in this office).
6 working days	For typing and issue of report.
Total 24 days	

( 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 )

*Note :* 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.

- 8.11** 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 (CAG's Cir. No. 71-74I/80 issued in 1463 -- 74/1/149 dated 4-12-1980).

**8.12 Watching of objection arising out of local inspection**

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 :

- (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 (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 Objections Book and a certificate to that effect recorded.
- (ii) All objections arising out of local audit which are susceptible of being expressed in money value should be registered in objection books.

The following types of objections need not, however be registered in the Objection Books.

- (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.
- (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.

**Note :** 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 (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.

- (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.

(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.

(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.

(CAG's Letters No. 2665.Admn/I/365-60 dated 29-8-1960)

**8.13 Time allowed for furnishing replies to Inspection Reports and Test Audit Notes :**

(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)

(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.

The due date for issue of demi-official letters for reporting to administrative department is quarterly. 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.

(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 DAG 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 Audit 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. The (HQ) 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.
2. 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.

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 (HQ) Section concerned should give a report in the following format, to (HQ) 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 (HQ).

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

OA (HQ).....

Dated : .....

Name of Department	Whether the meeting is Secretariat Level or Departmental 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,(HQ)**

(HQ) 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.

**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 Government 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 or the Audit Officer approves the inspection reports. Orders should be passed at this stage whether the paragraphs noted by Inspecting / 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".
- (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, 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 the report section who must be able to state the latest facts about the case at any time.



### **8.15 Cases fit for inclusion in the Reports**

- (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.
- (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.

### **8.16 Inadequacy of financial or accounting rules**

- (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.
- (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 without indicating the causes.

**8.17 Comments on Store accounts**

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.

(CAG's Lr. No. 268-Rep/80-83 dated 23-9-1993).

**8.18 Questionnaire on the maintenance of cash and stores:**

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.

**8.19 (a) Guidelines for drafting of paragraphs**

CAG's Office has issued a "Style Guide" for introducing uniformity in the drafting/reporting style of the Audit Reports (**APPENDIX-III**) .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)

The following instructions should also be borne in mind while preparing draft paragraphs for inclusion in the Audit Report:

- (i) The draft paragraphs should not be very lengthy and should not include unnecessary material.
- (ii) They should give all relevant information with dates wherever necessary and lay correct emphasis on the exact points to be brought out.
- (iii) All words and phrases likely to cause resentment or unpleasantness should be avoided.

- (iv) The paragraphs should be worded in a detached and dispassionate language so that, the facts speak more than the comment.
- (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.
- (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.  
( CAG's Lr. No. 3724/Rep/385-69 dated 4-12-1960 case AA/54-1/56-60 Vol.VI )
- (vii) The responsibility of the departments concerned for the irregularity should be brought out in the para by including information on the following points :
  - (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.
  - (b) What was the action suggested by the Finance Department?
  - (c) Did the administration follow this advice?
  - (d) If so, did the irregularity or loss take place in spite of following the advice?
  - (e) Did the Finance Department take or suggest any action after the irregularity had taken place?  
( CAG's Lr. No. 547/Rep/58-61 dated 24-2-1961 Case AA 51-1/60-61 )
- (viii) The emphasis should be on quality rather than quantity and on analysis rather than mere narration.
- (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.  
(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&AG
- (x) The paragraphs should not be cluttered with information not relevant to the points sought to be made.

(HQrs. D.O. Lr. No. 1009-Rep/83-72 dated 5-6-1972).

**(b) Processing of draft paragraphs for the Report of the Comptroller & Auditor General ( Civil)**

- (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.
- (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.

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.

- (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.
- (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.
- (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.

(vi) The following points should be kept in view while processing draft paragraphs/ scheme reviews :

- (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 / 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 for adjustment against the specific grants / loans released by Government of India for the schemes; and
  3. Whether the unspent balance has been refunded.
- (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.
- (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.
- ( vide Headquarter's letter No. 353-Rep(S)/175-2000 dated 19-4-2001 )
- (a) 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.
- (b) Extra expenditure due to failure of the departments to avail themselves of DGS & D rate contracts should be highlighted wherever possible.

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.

## **8.20 Instruction for improving the quality of Audit Report**

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 :

(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:

(a) Newspapers and periodicals purchased by the Main Office are to be circulated to the Cell for taking clippings and filing them subject-wise.

(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.

(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.

(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 :

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.

(ii) Before an audit party commences any major review or inspection, the Group Officer may, 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.
- (iv) There should be a system of selecting a scheme for audit / brief review by each inspection party. (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 (HQrs) for conducting an overall review.
- (v) 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 (HQrs) in consultation with Report Section keeping in view the instructions if any issued by Headquarters. Once the topics are selected, (HQrs) is to advise the field 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, (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.

- (vi) 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.
- (vii) 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.
- (viii) 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.
- (viii) 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.

**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	G2

			owing to reasons which could be foreseen.	
		(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 ensuring availability of adequate infrastructure.	G7
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

Manual of Outside Audit Department

		(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

**CHAPTER 9**  
**INTEGRATED AUDIT OF DEPARTMENTS**

**9.01 Objective**

- (a) Comprehensive or an integrated audit of a department is a combination of the traditional financial audit and efficiency-cum-performance audit. It will involve on the one hand examination of the quality of financial management, including the soundness and appropriateness of internal control systems in its key areas of activity, and on the other, Value For Money (VFM) or 3E (Economy, Efficiency and Effectiveness) issues covering management and delivery of programmes and services. The broad end-objectives are to identify the weaknesses and failures in financial and programme management and to formulate recommendation aimed at improvements in the department's functioning
- (b) In order to achieve the desired results within a given time frame, detailed examination based on a clear understanding of its organizational structure and characteristics is necessary.

**9.02 Approach to Integrated Audit**

- a) This audit is also required to adopt of newer audit methodologies and techniques including the use of electronic database and even use of computerized auditing techniques (CAT) wherever computerized systems are in use on a large scale. Integrated Audit of a department may ideally begin at the level of the Government and the concerned Directorate and to be preceded by a detailed study of the following to obtain an integrated view of the department:
- i) Objectives of the department
  - ii) Rules of Business
  - iii) Annual Administrative Reports
  - iv) Annual Action Plans
  - v) Budget documents
  - vi) Performance Budgets.
  - vii) Plan documents
  - viii) Schemes – Central as well as State – implemented by the department

- ix) Policy initiatives taken by the department.
  - x) Reports, if any, of Parliamentary Committees and other external agencies.
  - xi) Internal manuals.
- (b) In addition, information gathered from an analysis of the accounts of the department concerned and from audit findings pertaining to the department should be carefully studied and issues identified for further examination. The database of the contingent vouchers of the Departments prepared by the Central Audit Section may also be analysed. Inputs available in the Directorate of Accounts such as the monthly Civil Accounts, appropriation accounts, appreciation notes sent to Government, lists of unadjusted abstract contingent bills and 'nil' payment vouchers, lacunae noticed in the paid vouchers, accounting errors, etc. Should be made use of for the identification of issues to be examined by the audit teams entrusted with integrated audit.
- (c) Before taking up the field inspection for integrated audit the Accountant General, Goa should meet the Secretary and explain to him/her about the scope and purpose of the integrated audit and the objectives sought to be achieved. The Secretary may be requested to arrange a presentation of the department's main activities to facilitate better understanding of its mandate, objectives and functions.
- (d) Audit of the selected DDO may be taken up simultaneously thereafter by deputing the requisite number of audit teams. Each of these teams or parties may be provided with all the leads and information that had emerged from the central audit as well as audit at the levels of the Government and the Directorate. Results of these audits may be summarized and, if necessary, another spell of audit may be arranged at the Government and Directorate levels.
- (e) On conclusion of the audit, the AG, Goa should write demi-officially to the Secretary of the Department briefing him/her about the main findings of audit and the suggestions proposed and requesting a discussion thereon.

Any suggestions or recommendations should be included in the Audit Report only after discussion with the Secretary.

### **9.03 Issues for audit Scrutiny**

#### **(A) Financial Management:**

**(I) Budget Formulation:-** Apart from examining the current practices and procedures relating to Budget formulation and adherence to the relevant rules and instructions issued in this regard by the Finance Department, the following aspects could also be examined for possible comment:

(i) Adequacy of the rules and instructions relating to the formulation of budget and revised estimates, responsibilities of different functionaries and shortcomings, if any.

(ii) Adherence by the DDOs to the time schedules prescribed for submission of estimates.

(iii) Extent of scrutiny exercised by the Directorate and the Department of the estimates furnished by the DDOs and the justification furnished in support of original estimates and estimates of additional requirements.

(iv) Adequacy and effectiveness of the role played by and the involvement of the administrative Secretary and Head of the Department in formulating the departmental budget and the extent to which designated responsibilities are discharged by them.

(v) Besides, the quality and reliability of the budget estimates could be assessed by an in depth scrutiny of a few estimates with a reference to the actual expenditure.

**(II) Expenditure Control:** Financial rules provide that the Head of the Administrative Department should exercise effective e control over expenditure. The following aspects could be looked into by Audit in this context:

- (i) Systems and arrangements available for determination of allotment of funds to various DDOs and their timely release and the adequacy of these arrangements.
- (ii) Arrangements for communication of allotments to the DDOs concerned the AG and the Treasury Officers.
- (iii) Machinery for exercising expenditure control and monitoring expenditure incurred by field units and its adequacy.
- (iv) Timely receipt of monthly expenditure statements from the DDOs arrangements for their documentation and analysis and the extent of which these are e utilized for the purpose of exercising effective control over expenditure. Statistical information may also be compiled for including in the Review on (a) the number of DDOs and others from whom the monthly statements were to be received; (b) the total number of expenditure statements due in a year; and (c) the number of statements actually received. The reasons for their non-receipt of belated receipt may also be analysed and deficiencies in the relevant systems and procedures highlighted.
- (v) Review of as many Plan and Non-Plan schemes implemented by the departments as possible to focus attention on the following:
  - (a) Unconscionable or persistent delays in release of funds to the DDOs for implementation of the schemes.
  - (b) Instances of drawal of funds in anticipation of requirements.
  - (c) Irregular diversion of funds and arrangements available centrally for control over utilisation and prevention of diversions.
  - (d) Arrangements for monitoring expenditure on schemes and their adequacy.
  - (e) Rush of expenditure towards the close of the financial year.

- (f) Instance of drawal of funds to avoid lapse of grants and their irregular retention outside government accounts.
- vi) Unusual or extraordinary items of expenditure.
- vii) Outstanding loans and advances to departmental personnel and outside parties and adequacy of arrangements for their pursuance and settlement.
- viii) Aspects relating to Appropriation Audit and analysis of reasons for excesses over voted grants and charged appropriations, savings in grants and appropriations and surrenders.
- ix) Reconciliation of departmental expenditure with that accounted for by the AG, Goa and its impact. Non-adherence to the procedures prescribed in this regard and its adverse consequences may also be highlighted.

**(B) Programme Management:-**

Audit may examine the arrangements and machinery in place for the formulation, planning, implementation, monitoring and evaluation of various schemes and projects and frame appropriate comments from the perspective of 3 Es or VFM Audit. For this purpose a few major schemes may have to be examined in detail at the micro level.

**(C) Personnel Management:-**

Audit may examine the arrangements for manpower planning, assessment of requirements and utilisation of manpower; procedures for creation of posts; transfer and rotation policies; overstaffing; delays in provisioning; assessment of training needs, expenditure on training and utilisation of trained manpower; etc. The detailed principles and guidelines on Manpower Audit paragraph 7.31 of this manual may also be kept in view in this context.

**(D) Inventory Management and Control:-**

Some of the major contracts and agreements entered into by the department and its field units for purchases and supplies may be scrutinized to highlight deficiencies in systems and procedures,

irregularities in purchase, instances of purchases being resorted to without adequate justification or even in the absence of actual requirements resulting in unutilized inventories, etc. Adequacy of the arrangements for inventory management and control may also be examined and commented upon.

**9.04 Internal control:**

Integrated audit should comment comprehensively and in a focused manner on the quality of internal control exercised by the department at the Secretariat and Directorate levels as well as by its field units in the spheres of financial management, programme management and personnel management. For this purpose, Audit need to ascertain whether (a) adequate control mechanisms have been prescribed; (b) these are appropriate and adequate; and (c) such controls as are available are in fact operative and functioning

**9.05 Accountability aspects:**

Audit should examine and comment upon the arrangements for securing and enforcing accountability at different levels and the department with particular reference to the availability of appropriate internal control mechanisms in all areas and whether they are functioning and utilisation of these mechanisms in a manner that facilitates the achievement of the overall goals and objective of the Department.



## CHAPTER 10

### INFORMATION TECHNOLOGY AUDIT ( IT AUDIT )

**10.01** 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.

#### **10.02 Audit concerns associated with the use of IT systems**

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:

- (a) Reduced accountability due to anonymity of users.
- (b) Possibility of unauthorised and unrecorded amendment to data
- (c) Absence of a visible audit trail.
- (d) Possibility of duplication / non-inclusion of data
- (e) Distributed data storage and processing
- (f) Outsourcing System failure/ shutdown
- (g) of IT services

#### **10.03 Aspects of Audit Planning**

##### ***(1) Technical Planning***

We have to carry out a general review of the IT system ( GRIT) of the auditee to obtain an overview of the

- Auditee, nature of their business including their IT strategy and policies and management and control strategy
- The size, type and complexity of the computerised financial system used by the auditee and its relation with the supporting subsystems

- Major IT systems in terms of value of the system themselves and their contribution to the achievement of the corporate objectives of the auditee.

(2) ***Logistical Planning***

This involves

- (a) Resource Planning ( man power, hardware, audit software tools and budget )
- (b) Allocation of responsibility to the IT audit team.
- (c) Planning the methodology of audit, viz. System based audit or direct substantive testing.
- (d) Drawing up a time schedule for various tasks on the basis of complexity of the auditee's system and their business criticality
- (e) Exploring ways of obtaining audit evidence and framing the reporting requirements.

**10.04 Controls**

In the context of IT systems, there are two types of controls -- General Controls and Application Controls

**10.05 General Controls**

- (a) Organisation and Management Control
  - (b) Separation of Duties
  - (c) Physical and Logical Access Controls
  - (d) System Development Controls
  - (e) Program Amendment Controls
  - (f) Business Continuity Control
- (a) Organisation and Management control**

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.

***Audit Checks***

- Ensure whether there is a formal IT strategy and detailed tactical plans and see if they are in line with the stated business objectives.
- Identify major IT units.
- Examine if there is a sufficiently empowered IT strategy committee actually involved in the management of IT.
- Verify if policies, standards, procedures and methodologies have been approved for controlling IT.
- Examine if management takes into consideration the total costs.

**(b) Separation of duties**

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.

***Audit Checks***

- Examine organisational chart to determine adequacy of separation of duties.
- Review job description to determine that the segregation is maintained.
- Review back-up arrangement to ensure that separation is maintained.

**(c) Physical and Logical Access Control**

Physical access controls aim at safeguarding the computer equipment from unauthorised access, theft and damages due to accidents, deliberate action, etc.

Logical access controls such as password aim at protecting the data files from unauthorised access.

***Audit checks***

- Verify whether there is a formal IT security policy and a security program for the organisation.

- Verify if users are aware of all security procedures and associated disciplinary action and if security drills are conducted regularly.
- Check whether there are appropriate physical access restriction for the computer room and even for supporting staff such as cleaning, security and maintenance staff.

**(d) System Development Controls**

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

***Audit checks***

- Check if a formal methodology has been accepted for design and development of IT system.
- 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.
- Check the level of involvement of users in the design and implementation of system.
- Verify if an adequate audit trail has been built into the system.
- Verify adequacy of specific controls at each stage of the system development life cycle

**(e) Program amendment controls**

These controls ensure that all the modifications to the existing systems are authorised, properly tested, documented and operated as planned.

***Audit checks***

- 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.

- Verify if amendment schedules have been specified to allow time for adequate installation and testing of the new hardware and software.
- Verify if before implementing the amendments, various manuals have been modified suitably.
- Ascertain if the time schedule for effecting the amendments have been adhered to.
- Evaluate if the testing change procedures interfere with normal operations.
- Check whether the auditee has any back out plan.

**(f) Business continuity planning or back-up and recovery control**

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 breakdown of the IT system

**Audit checks**

- 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.
- 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.
- Check if there is a formal disaster recovery plan -- review the stand by arrangements for processing as also for recovery of the main system.

**10.06 Application Controls**

**(a) Input Controls**

These controls ensure that the data being keyed into the computer is authorised, accurate, unique (no duplication), complete and recorded.

***Audit checks***

- Identify the main inputs to the application.
- Check if there are procedures for authorisation of input data, conduct a test check of authorisation.
- Verify the adequacy of checks (manual and computerised) for validation of data.
- Verify the adequacy of procedures for ensuring uniqueness of completeness of data.
- Verify the procedure for handling incorrect data and the re-input (after correction) to the system

**(b) Processing Control**

These controls ensure that the processing transaction is accurate, complete, unique, valid and auditable.

***Audit checks***

- Check the controls for validation of completeness and accuracy of data at each stage of processing.
- Check procedure for error handling at each stage of processing.
- Check if there are procedures for verifying periodically the integrity of data tables.

**(c) Output Controls**

These ensure that what comes out of the computer is complete, accurate and has been distributed as planned.

***Audit checks***

- Check the controls for ensuring accuracy and adequacy of outputs. E.g. Overall reconciliation of output back to inputs.
- Check if there are controls to ensure that outputs are safeguarded adequately before distribution; and that these reach proper destination.
- Check for controls on issue, reconciliation and verification of financial stationery (e.g. Cheques) and controls on stationery printed, distributed and cancelled.

#### **(d) End User Computing Controls**

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.

##### **Audit checks**

- Check if access to computers is restricted and controlled adequately E.g. Through locking of computers.
- Check if sensitive information is protected adequately through encryption, password etc.
- Check if there are methods for backing up data and if these are adhered to in practice.
- Check if floppy disks are stored securely.
- Check control for prevention of entry of viruses, verify if computers are scanned periodically for viruses.
- Check the adequacy of support services of maintenance and repair.

#### **10.07 Audit of procurement of IT system**

The importance of audit of IT systems arises due to the following reasons :

- (i) IT systems involve large investment and require audit attention.
- (ii) Procurement is a vital part of system development.
- (iii) Procurement of IT systems involve consideration of several technical parameters and it has to be ensured that technical and financial considerations have been balanced.
- (iv) 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 :
  - (a) Has the need for IT system been identified clearly and justified?

- (b) Have the procurement proposals been approved by Competent authority?
- (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 ?
- (d) Have the user requirements specification been met fully ?
- (e) Has due and adequate publicity been given to the invitation to tender for the system ?
- (f) In the case of high value contracts, whether prequalification of the tenderers was done to shortlist technically competent contractors for invitation to bid ?
- (g) Whether a two packet system of tendering ( one sealed packet containing technical bid and another containing general bid ) is adopted ?
- (h) The composition of tender committee and time taken to finalise the tenders.
- (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 ?
- (j) Whether legal advice has been taken before signing the contract ?
- (k) Where negotiations are held whether all the tenderers were given equal opportunity ?

#### **10.08 Performance audit of IT systems**

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.

In the context of IT systems it involves

- (a) Setting up and maintenance of IT systems involving huge investment and sophisticated technology.
- (b) IT systems handle, strategy and critical information vital to the achievement of basic business objectives of the organisation.



Performance audit of IT systems involve three stages, viz. survey, identifying evidence for poor performance and exploring reasons for poor performance.

### *Survey*

A performance audit survey considers the following aspects:

*Materiality* -- The subject should be significant in terms of cost.

*Topicality* -- The subject should be of topical interest.

*Evidence* -- There should be sufficient, reliable and relevant evidence to establish that there is a problem to be investigated.

*Results* -- There should be scope for achieving improvement through audit observations.

In order to identify topics that meet these criteria it is necessary to know the corporate objectives, organisations and resources.

The indicators for poor performance are as follows :

*User dissatisfaction* -- If there is widespread user dissatisfaction, it indicates failure in involving users in the specification or acceptance of the system apart from inadequate training.

*Unreliable systems* -- Log may be reviewed to check the number of times the system failed.

*Poor integration* -- 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.

*Cost overrun* -- Verify the budget records and check for variations.

*Time overrun* -- Verify minutes of project, Broadsheets meetings, and strategies covering the proposal, design, procurement and development of the system. If time schedules were fixed verify reason for delay.

*Abandoned projects* -- In respect of abandoned projects reasons for the same may be verified.

*Running Costs* -- 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.

*Dispute with suppliers* -- 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.

Some of the main reasons which could explain the failure of IT system are given below :

- (a) The auditee institution does not have a sound IT strategy which is linked to its corporate / business strategy.
- (b) Verify whether the organisation has not formulated and documented standards for project design and development.
- (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.
- (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.
- (e) Absence of a good project management may lead to poor performance of IT system.
- (f) Poor operation management will result in high running costs and poor reliability.
- (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.

#### **10.09 Computer Aided Audit Techniques (CAATS)**

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.

CAATS can be used to test either system or data.

**System testing** includes program review and code comparison (comparison of source code version of the program against a master copy).

**Testing of data** includes file interrogation, and embedded audit code. Fileinterrogation helps to read the auditee data files and carry out various analytical test.

**Embedded audit code** implies insertion of auditor's own program in the site of program of the auditee to examine the transactions passing through the system.

**Downloading of data** refers to transfer of data from auditee's computer to auditor's computer in a suitable format for the auditor to analyse using CAATS.

**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

## **CHAPTER 11**

### **STATISTICAL SAMPLING**

**11.01** 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.

**11.02** 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.

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.

Statistical sampling will require the following steps:

- (a) Determine an estimate of sample size

- (b) Determine the confidence level ; and
- (c) Determine the tolerance limits

It will give following advantages

- (a) The sample result is objective and defensible.
- (b) Objective evaluation of a test result is possible.
- (c) The method provides a means of advance estimation of sample size on an objective basis.
- (d) The method provides for an estimate of sampling error.
- (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.
- (f) It saves time and money
- (g) It may be combined and evaluated even though accomplished by different auditors.
- (h) It helps in bringing the observations in sharp focus as these can be analysed for each type of auditee

**11.03** 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.

**11.04** 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 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).

**11.05** 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

**11.06** Statistical sampling in the context of audit checks, embrace distinct part.

- (i) The determination of sample size
- (ii) The manner of selection of sample for checking
- (iii) Evaluation of the results of checks

**11.07** 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.

**11.08** The purpose of audit while checking the selected sample are many but include mainly

- (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.

( D.O. No. 48 - Audit ( OM & M) / 102 - 94 of Deputy Comptroller And Auditor General ).

**11.09** 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.

**11.10** 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.

[ C&AG's Circular No. 7 of 1997 No. 433-Audit ( MOM) 224-97 dated 8-8-1997 ]

## CHAPTER 12

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

**12.01** The Local Audit Parties should keep themselves equipped with the Departmental Code/Manuals/Rules etc. and also the provisions of the relevant Accounts and then proceed to conduct the audit on the basis of guidelines given in the C&AG's MSO Audit 2<sup>nd</sup> Edition

1. **Cash Book:** Receipts should be checked with the counterfoils of receipts whereas payments should be checked with vouchers. Totals and carry forward of balances should be checked.
2. **Bill Register and Token Register:** Whether all columns, such as date of presentation to Treasury, date of passing, Token No., Voucher No. Are entered and at the end of each month abstract vide Rule 277 of Maharashtra Treasury Rules, Vol. I, 1968 has been prepared should be seen.
3. **Treasury Verification:** Remittances made by the department should be reconciled with records in Treasury
4. **Register of Contingent Expenditure:** It should be checked with abstract bills. It should be seen that the expenditure is kept within sanctioned grants.
5. **Register of Permanent Advance:** It should be seen that the expenditure from the permanent advance is recouped from time to time.
6. **Register of Security Bonds:** It should be seen that proper security is taken from persons holding stores or cash.
7. **Dead Stock Register:** Check receipts in the register with the vouchers. It is to be seen that unserviceable articles have been written off with proper sanction. See that the dead stock has been physically verified annually and certificate to that effect has been recorded in the register.
8. **Service Books of Employees/Staff:** Service book to be checked with reference to pay fixation, leave account, increment etc.
9. **G.P. Fund Account of Class IV Employees:** Interest calculation is to be checked.



10. **Various types of Advance:** Such as House Building Advance, Motor Cycle Advance, Computer Advance, TA Advance etc. Are paid to staff. These may be scrutinised with regard to relevant records, terms and conditions of the advances paid etc.
11. **Personal Ledger Account:** Cash book and pass book to be verified. It is to be seen whether closing balances as shown in the cash book and pass book tallies and if no, reconciliation explaining differences has been carried out every month

**12.02** 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 draws.

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.
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.
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.
4. It may be seen that whether the Budgetary and cash flow restrictions imposed by the Government were ignored by the Department and Treasuries.

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.
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
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.
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
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.
10. Whether the Civil Accounts prepared by Accountant General ( A& E) have shown any excess expenditure under any separate head of account and the Finance Department has initiated any investigation on the excess expenditure.
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.
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 & 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

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 budget provision vis-à-vis the actual expenditure of any particular Department.
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.
15. Audit should see that proper action has been taken by the Government on Appropriation Accounts submitted by the Accountant General.
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.
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.
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.
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
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

21. Failure on the part of Treasury Officers should be highlighted in the reports with special emphasis on the following :
- a) Whether the Treasury Officer overlooked that improper bill forms were presented and got passed.
  - b) The bills were signed by the D.D.O.s.
  - c) The Treasury Officers were actually obeying the instruction / direction issued by Finance Department from time to time.
  - 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
  - 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.
  - f) Audit should invariably ascertain the arithmetical accuracy in all such bills.

As mentioned earlier in this chapter, the delay in the rendition of accounts should also be specified.

## CHAPTER 13

### Major departments in the state of Goa and their Activity & Functioning

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.

There are 11 Major Departments under audit justification in the state of Goa.

1. Public Work Division (PWD)
2. Transport
3. Police
4. Social Welfare
5. Health Services, GMC, Dental, IPHB
6. Agriculture
7. Forest
8. Electricity
9. Water Resource Development (WRD)
10. Education
11. Tourism.

Brief functioning of some of these departments:

#### 13.01

#### PUBLIC WORKS DEPARTMENT

##### 13.01.01. Introduction:

Public Works Department is the major Department of the state of Goa headed by Principal Chief Engineer. He is budget controlling and appointing authority. Chief Engineer-I & Chief Engineer-II are under Principal Chief Engineer, they control Circle offices, Works Divisions, Sub Divisions. Public Works Department looks after the execution and maintenance of Works, such as:

##### i) Building Works

- a) Construction of Institutional Complexes and other Public Buildings.
- b) Construction of Hydraulic works like Jetties and Ramps.
- c) Other Miscellaneous works of sports like Stadium and Swimming Pools and other civil works in urban and rural areas.

- d) Repairs and maintenance of Government building including Governors and Ministers Bungalows.
- e) Various designing of building for the entire State of Goa including drawing for the project.
- f) RCC drawings and issue of ammonia prints for various RCC and structural drawing/civil construction works.

**ii) Roads and Bridges.**

- a) National Highways and Bridges
- b) State Highways
- c) Major District Roads
- d) Rural Roads
- e) Western Ghat Development Programme (WGDP).

**iii) Water Supply and Sanitation.**

- a) State Programmes.
- b) Centrally Sponsored Schemes.

**iv) Electrical and Mechanical**

- a) Procurement of Stores (Electrical and Mechanical)
- b) Maintenance of Vehicle Work – Electrical and Mechanical

**v) Deposit works.**

**13.01.02. Organizational chart of the Department:**

The Department is headed by the Principal Chief Engineer who is assisted by the Chief Engineers- I & Chief Engineer- II. Chief Engineer- I is incharge of Public Health Engineering, Roads & Bridges, matters related to Centrally Sponsored Schemes. The Chief Engineer- II deals with all works of buildings, mechanical & electrical and also MPLAD works. The Department is divided into Circles and Sub-divisions into Divisions.

**13.01.03. Acts and Rules Implemented by the Department:**

The Chief Engineers are authorized to exercise their Technical Powers as per the procedures laid down in CPWD, Works Manual 07 & Code and delegation of powers as approved by the Government from time to time.



## 13.02 **DIRECTORATE OF TRANSPORT**

### 13.02.01. **Introduction:**

The is a regulatory department which implements various statutory provisions as contained in the Central Motor Vehicles Act-1988, Rules-1989 and the Goa Motor Vehicle Rules-1991 made there under (amended from time to time) regulating road transport, passenger and freight movement, motor vehicles management and various schemes for benefit of the public and is often in the eyes of media and the public general. The Department endeavors to strive for a harmonious relationship between the public and officials so as to serve the public better.

### 13.02.02. **Organizational Chart of the Department:**

The Department is headed by the Director of Transport, who also functions as Ex. Officio Addl. Secretary. The Headquarters is manned by Deputy Director of Transport (North), Deputy Director of Transport (Admin.) and Asstt. Director of Transport – HQ, with various sections under them viz. Establishment Section, Statistical Cell and STA Cell, Bus Stands Section and Subsidy Section. The Accounts Section is headed by Accounts Officer with the assistance of Asstt. Accounts Officer, Accountants and other clerical staff. There are two offices of Deputy Director of Transport in the North and South and two offices of Enforcement in North and South. Enforcement duties are performed through its team of M.V.I and A.M.V.I in the respective regions and Border Check Posts in the North and South Goa.

At the Taluka level, there are nine offices of Asstt. Director of Transport whose core functions are issuing Driving Licences and Registration of Vehicles in their respective jurisdiction. A tenth office at Dharbandora will be opened shortly.

### 13.02.03. **Functions and duties carried out by the Department:**

The Transport Departments core functions are issuing of Driving Licenses and Registration Certificates of Vehicles. Besides, the department is



also performing regulatory functions under Central Government and State Government Laws by way of enforcement duties. In connection with the enforcement functions, the department also performs the role of an educator to the public on the subject of Road Safety. The Department is also implementing schemes for replacing of old model vehicles so as to promote pollution control and measures for clean environment, and also providing better facilities to the public in general. The launching of “**Vahan and Sarathi**” software has further upgraded registration system for the registration of vehicles and issuing of driving licences in all the sub offices of the department which is a step forward towards e – governance.

The services will be delivered to the citizens in the below mentioned time frame:

<b>Sr. No</b>	<b>NAME OF THE SERVICE</b>	<b>TIME FRAME FOR THE DOCUMENT DELIVERY</b>
1	Application for the grant of learner’s licence (FORM 2)	1 working day
2	Application for the grant of driving licence (FORM 4)	2 working days
3	Application for the renewal of driving licence (FORM 9)	1 working day
4	Intimation of loss or destroyed of driving licence and application for duplicate (L.L.D.)	1 working day
5	Application for grant of subsidy for Y/B taxi, Auto rickshaw, motor cycle	All the applications received on or before 10 <sup>th</sup> will be cleared by 10 <sup>th</sup> of the next month.
6	Application for subsidy for replacement of 15 year Old bus/ mini bus	3 working days

The Department has further simplified the procedure of acknowledgment of applications by sending SMS to the concerned applicants with respective remarks by the Registration Authority.

**13.02.04. Acts and Rules Implemented by the Department:**

The Department collects revenue by way of implementation of the Central M.V. Act, State M.V. Act, Passenger Tax Act and Goa Rural Improvement and Welfare Cess Act, 2000 and Goa Rural Improvement and Welfare Cess Rules, 2001.

### 13.03

## POLICE DEPARTMENT

#### 13.03.01 Introduction:

8<sup>th</sup> June is a very significant date in the history of Goa, as it symbolizes the transfer of authority from Military Administration to Civil Administration 43 years ago. Police is a very important arm of the Civil Administration, thus Goa Police celebrates this week as **Goa Police Day and the entire week as Goa Police Week.**

Goa Police has made steady progress by adopting various steps to **change its motto from being a force to a service.** Field Marshall Kitchener has stated that “THERE IS A GREAT CIVILIZING POWER IN POLICEMEN”. A power, by which, he can make an impact on the society to the extent that he can be instrumental in changing the society. If one goes through the history of Indian Police, there are many instances where Policemen in the line of duty have favourably contributed in bringing about a change in the society.

There are 27 Police stations in the State of Goa at the service of the people. Most of these Police Stations are headed by the Police Officers of the rank of the Police Inspectors who are assisted by other officers and men.

The total strength of Goa Police is 4901

#### 13.03.02 Checks to be applied/Records maintained at the Offices of the Commissionerate/District Superintendent of Police:-

1. Day Book.
2. Licence register (Hotel Lodging, Bar, Circus).
3. Distress warrant registers, S. T. Warrants/Railway Warrants registers.
4. Grant-in-aid to Municipal Corporation for travelling by Policemen.
5. Off Day Compensation payments with reference to Duties allocation.
6. Bandobast Bhatta.
7. Recovery of Escort charges in respect of private parties.
8. Water charges; Property Tax payment to Municipal Corporation.
9. Arms & Ammunition Register.

10. Distribution and returns of Police Kits & Clothing (badges, uniforms, Boots, Mosquito Nets, T-Shirts, Umbrellas, Belts etc.)
11. Weekly Gazettes issued by Head office and entries made in the Service sheets on account of leave, increment, suspension, promotion, reversion reinstatement with reference to pay/leave salary & allowances in the Sheet Branch & Accounts Branch.
12. Medical Bills.
13. Remittances of Police receipt.
14. Tracing of vouchers.
15. Pay & Allowances with reference to number of Policemen (Constabulary staff, Police Sub-Inspectors/Inspectors).
16. Petrol Pump record.
17. Vulcanization & Retreading of tyres.
18. Accounts of Tyres & Tubes.
19. History sheet of vehicles.
20. Mess & Canteen Records.
21. Welfare Day book for Welfare activities.
22. Police and cash book.
23. Register of disposal of condemned articles.
24. Register of Arms and Ammunition in stock.
25. Register of Rifles, Swords.
26. Contracts, such as store purchase, stitching of uniforms, funeral of paupers, painting letters on vehicles, auction, sign-board erection, etc.
27. Arms and Ammunition licence fees register.
28. Cash book, fee register, stock account, dead stock register of photographic instruments manufactured by Modus Operandi Bureau.
29. In the Selected Police stations following records to be checked:-
  - i. Bhatta money register.
  - ii. Muddemal register.
  - iii. Register of unclaimed cash, Govt. promissory and currency notes.
  - iv. Bail deposit register etc.

**13.03.03**

**Functions and Duties carried out by the Department**

### **District SsP North and South**

Maintenance of Law & Order, prevention, detection of Crime, collection of intelligence, providing security to VIPs/VVIPs, patrolling duties, social activities towards senior citizens. Keeps overall situation in the State peaceful and under control also look after the welfare of staff under their control.

### **Anti-Narcotic Police Station**

Anti-Narcotic Cell has jurisdiction all over Goa for the purpose of investigation of the offences under N.D.P.S. Act. The Anti-Narcotic Cell Police Station makes vigorous efforts to tackle the drug menace in the State. The constant and untiring efforts of the ANC Police Station, to apprehend the drug traffickers, prevent drug abuse and concentrate on the sensitive and drug prone areas has resulted in curbing the drug menace to a large extent.

### **Criminal Investigation Department**

The function of the Crime Branch includes investigation of the cases entrusted by the DGP or those registered directly by the Crime Branch through source information or as a result of raids.

### **Foreigners Branch**

Foreigners Branch looks after the registration of foreigners, extension of their visas, Indian citizenship applications, enquiries into visas of Pakistan Nationals, enforcement of the provisions of foreigners Act, Foreigner's order etc., death and missing report of foreigners and various matters pertaining to foreign Nationals.

### **Traffic Management**

In order to promote observance of traffic rules and to prevent accidents, the Traffic Police is constantly engaged in conducting Traffic Education Programmes to students, drivers and the other road users. Traffic Police also carry out sustained enforcement against the over speeding drivers/riders.

### **Special Branch**

Special Branch is responsible for collecting intelligence from all CID Centres and wings, on aspects like Political, students, youths and labour unrest, commercial, educational, economical, Government offices etc. Efforts are afoot to revamp the entire Special Branch to make it functional to its optimum level.

### **Communication & Wireless/PCR**

The main function of PCR is to provide assistance and help to public in case of need and distress by the quickest possible means within the shortest possible time and to collect and disseminate information for assisting the local Police in preventing and detection of crime and maintenance of Law and order. Ultra High Frequency communication system has been installed for quick transmission of messages.

### **State Police Control Room**

Supervision of State Police Control Room, communication and mobile patrols with emphasis on quick response, Red Alert Scheme, Disaster Management Plan.

### **Women Police Station**

The Women Police Station has started functioning at Police Headquarters, Panaji from 2001. The Women Police Station is having jurisdiction for the entire State of Goa.

The Women Police Station deals with cases pertaining to Rape, Kidnapping, abduction, dowry death, molestation, sexual harassment, offences under Immoral Traffic (Prevention) Act, 1956. Indecent Representation of Women (Prohibition) Act, 1986 and the Dowry Prohibition Act, 1961.

### **Coastal Security Police Force**

The basic objective of establishing Coastal Police Station in the State is to overcome the limitations of the State Police in terms of needed infrastructure and skilled man power to exercise their policing jurisdiction effectively in the territorial waters. Coastal Security Police Stations have been created with emphasis on the security aspect and its jurisdiction also extends into the sea up to 12 Nautical Miles. These Police Stations, therefore, will have marine component besides intelligence and investigation wings to effect better surveillance and control over sea, coast, creeks and other water ways connected to sea. The force is engaged in policing the territorial waters with a view of protecting national interests in such waters and providing a sense of security to the inhabitants and other stakeholder in the Coastal areas.

### **CID Security**

The CID Security unit mainly deals in providing security cover to the protected persons in the State of Goa and those visiting Goa from other States and foreign countries as per the security categorization as Z Plus, Z, Y, X and DF Scale. In addition to providing the security cover to the local protectees i.e. the Governor of Goa, C.M. of Goa.

### **CRIME**

The crime control, safety and security of life and property in the State, maintaining of peace and tranquility, communal harmony, prevention and detection of crime and law and order in the State.

**13.03.04      Acts and Rules Implemented by the Department**

All Rules and Acts which are applicable to the State of Goa and wherein Police are empowered are implemented by the Department.

## 13.04

## DIRECTORATE OF SOCIAL WELFARE

### 13.04.01 **Introduction:**

The Directorate of Social Welfare is implementing various schemes for the welfare of the needy, neglected, socially and educationally backward sections of the society, such as the Scheduled Castes/Scheduled Tribes and Other Backward Classes, the Differently Abled Persons, Senior Citizens, the Destitute, Prisoners and their dependents, Safai Karmacharis and Beggars. This Directorate being the Nodal Department formulated the Scheduled Caste Sub-Plan of the State. Besides, self-employment Schemes are also implemented for the overall development of SC/OBC communities, through Goa State Scheduled Castes and Other Backward Classes Finance and Development Corporation (GSSCOBCFDC).

### 13.04.02 **Organizational chart of the Department:**

The Directorate of Social Welfare is headed by the Director, who is also Ex-Officio Joint Secretary and is assisted by a Deputy Director, a Statistical Officer, a Assistants Account Officer. The Deputy Director who is designated as Head of Office is also holding Additional charge of Asst. Director, SC/OBC, Social Defense & Welfare of Disabled Branch in addition to his routine duties. The sanctioned strength of the Department is 250.

### 13.04.03 **Functions And Duties carried out by the Department:**

The Directorate of Social Welfare deals with implementation of schemes for the welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes, Minority Communities, the Differently Abled Persons (Disabled), Senior Citizens, Destitutes, Prisoners and their Dependents, Safai Karmacharis and Beggars. Besides, various Acts and Rules are also implemented for the welfare of these communities.

### 13.04.04 **Acts & Rules implemented by the Department:**

The following State and Central Acts are implemented by the Department.

#### **i. Protection of Civil Rights Act, 1955:**



The Act aims at providing maximum relief to Scheduled Caste population who has been suffering from various types of disabilities/untouchabilities in the Society. There are no vulnerable untouchability areas in the State of Goa.

**ii. The Goa Prevention of Begging Act, 1972:**

The act aims at providing an Institution for detection, training and employment of beggars and their dependents.

**iii. The National Trusts Act, 1999:**

Under Section 13 of the National Trust Act, a three members local level committee is Constituted in every District for the welfare of persons with Autism, Cerebral Palsy, Mental Retardation & Multiple disabilities. In North Goa District, the Committee is headed by Director of Social Welfare, and in South Goa District by the Collector (South Goa)

**iv. The Prevention of Atrocities Act, 1989:**

The Act prevents the commission of offences of Atrocities against the members of the Scheduled Castes and Scheduled Tribes, provides for special courts for the trial of such offences for relief and rehabilitation of the victims of such offences and for matters connected therewith or incidental thereto.

**v. The Goa State Commission for Backward Classes Act, 1993:**

The Act provides constitution of a State Commission for Backward Classes other than the Scheduled Castes and the Scheduled Tribes and to provide for matters connected therewith or incidental thereto.

**vi. The Maintenance & Welfare of Parents & Senior Citizens Act, 2007:**

The Act provides for more effective provisions for the maintenance and welfare of parents & senior citizens guaranteed and recognized under the Constitution and for matters connected therewith or incidental thereto.

**vii. The Rehabilitation Council Act, 1992:**

The Act provided for the Constitution of the Rehabilitation Council of India, for regulating the training of Rehabilitation Professionals and the maintenance of Central Rehabilitation Register and for matters connected therewith or incidental thereto.

**viii. The Persons With Disabilities (Equal Opportunities Protection of Rights and Full Participation) Act, 1995:**

The Act deals with various aspects of the Welfare of differently Abled persons (Disabled), such as setting up of State Coordination Committee, prevention and early detection of disabilities, Employment, Barrier Free Environment in public places and public offices to the Disabled persons, Non-Discrimination in transport on the roads, Government employment and in the built environment, Recognition of Institutions for Persons with disabilities, Social Security, Appointment of Commissioner for person with Disabilities, etc. Around 101 public places and public offices have been provided with barrier free access.

**ix. The Employment of Manual Scavengers and Construction of Dry Latrines (Prohibition) Act, 1993:**

The Act provides for prohibition of employment of manual scavengers as well as construction or continuance of dry latrine and for the regulation of construction and maintenance of water seal latrines and for matters connected therewith or incidental thereto.

**13.04.05 Budget Estimate**

Year	Amount in `
2012-13	22644.00
2013-14	23861.00

**13.04.06 Vision For Future:**

The Department plans to implement more viable schemes, in future, for the Backward Classes, the Disabled and Senior Citizens, thus, planning to render better service to the Society which will help to improve their quality of life.

**i) Scheme to provide financial assistance to the persons with disabilities for purchase of motorized vehicle.**

The objective of the scheme is to provide the financial assistance to the persons with disabilities for purchase of two wheeler electric chargeable Motor

Cycle that can promote their physical, social, and psychological rehabilitation by reducing the effects of disabilities and enhance their economic potential.

**ii) Dhangar Community:**

To extend all the facilities and benefits to Dhangar Community on par with the other ST communities in the State.

**iii) Traditional Occupation:**

To provide monthly financial assistance to the traditional occupation like Poder, Render, Khajekar etc. and to merge the existing scheme to motor-cycle pilot into new scheme.

Besides, it is also proposed to set up a **Branch Office in South Goa**, to provide better service to the people of South Goa.

## **13.05 HEALTH DEPARTMENT**

**13.05.01** Following are the wings of the Health Department:

- 1) Directorate of Health Services**
- 2) Goa Medical College**
- 3) Goa Dental College**
- 4) The Director, IPHB**

### **13.05.02 DIRECTORATE OF HEALTH SERVICES**

#### **1. Introduction:**

Goa has one of the most extensive health systems in India. The Directorate of Health Services primarily seeks to provide preventive, promotive, curative and rehabilitative health services to the people through primary health care approach which has been accepted as one of the main instruments of action for development of human resources, accelerating the socio-economic development and attaining improved quality of life. Primary health care is essential health care for all citizens, easily accessible and at a cost which the citizens and community can afford.

In the rural areas, services are provided through a network of integrated health and family welfare delivery system. The primary health care infrastructure has been developed as a three tier system – Sub Centres, Primary Health Centres and Community Health Centres.

#### **2. Organizational chart of the Department:**

The Directorate of Health Services comprises of two District Hospitals viz. Hospicio Hospital, Margao in South Goa District and Asilo Hospital, Mapusa in North Goa District and three other hospitals viz. Leprosy Hospital, Macazana, T.B. Hospital, Margao, and Cottage Hospital, Chicalim which also serve as referral Hospitals, 5 Community Health Centres (CHCs) and 20 Primary Health Centres (PHCs), four Urban Health Centres in four major towns viz. Panaji, Margao, Mapusa and Vasco. 205 sub-centres, one Medical Dispensary at Sada, Vasco, a STD Clinic at Baina, Vasco and 29 Rural Medical

Dispensaries (RMDs) which are situated in remote and inaccessible areas in the State. There are 13 Homeopathic Dispensaries, 11 Ayurvedic Dispensaries. There are in all 1356 beds in the hospitals under the Directorate of which 424 beds are attached to CHCs /PHCs. There are 18 Dental clinics and other special clinics for implementation of various programmes such as Family Welfare, T.B., NCD, STD, Malaria, Leprosy, Control of Blindness, etc.

The Directorate is headed by the Director. There are 5 Dy. Directors viz. Dy. Director-cum-Medical Supdt., Hospicio Hospital, Dy. Director-cum-Medical Supdt., Asilo Hospital, Dy. Director (Public Health), Dy. Director (Medical), Dy. Director (Dental). The Jt. Director of Accounts, Director (Administration) and Vigilance Officer are incharge of their respective offices.

### **3. Acts & Rules Implemented by the Department:**

#### **The Goa Medical Practitioners Act, 2004**

Under Goa Medical Practitioner's Act, 2004 all the private practitioners are bound to register themselves under this Directorate. The applicant should apply on prescribed proforma alongwith a fee of ` 250/- by demand draft in favour of the Director. On receipt of application the competent authority shall inspect the Clinic / Hospital / Nursing Home / Diagnostic Centre / Pathological Laboratory where the applicant is practicing and on basis of inspection the license is granted.

#### **Massage Parlour / SPA Act**

All the Massage Parlours/SPA functioning in the State of Goa shall be registered with date of Health Services in Form No. 1 accompanied by a fee of ` 1000/- and accordingly upon satisfying the conditions the license is granted.

#### **Transplantation of Human Organs Rules, 1995**

Under the Act, the Authorisation Committee of Human Organs Act shall call a meeting and examine the documents of the Recipient such as Form No. 1, 2, 3 and 10, Birth Certificate, Marriage Certificate, Photo, Identity Card, Voter's Card, Income Tax, Ration Card etc. If the documents are not in order then the Committee gets the power to reject the application.

**4. Functions & Duties of the different cells of DHS:**

All the Hospitals entertain all referral cases from CHCs, whereas CHCs referral cases from PHCs and PHCs act as referral units from RMDs and Sub-centre.

- I. National Programme For Control of Blindness
- II. The Medical Store Depot
- III. National Iodine Deficiency Disorders Control Programme
- IV. Environmental & Pollution Control Wing
- V. Family Welfare Bureau
- VI. Rch-Ii Programme in Goa
- VII. Janani Suraksha Yojana
- VIII. Family Planning
- IX. Adolescent Reproductive & Sexual Health:
- X. School Health Programme:
- XI. Universal Immunization Programme:
- XII. Maternal Child Health Care:
- XIII. NVBD Control Programme
- XIV. Malaria
- XV. Monitoring Of H1n1 Influenza (Swine Flu)
- XVI. TB Control Programme
- XVII. S.T.D. Control Programme
- XVIII. Aids Control Programme
- XIX. State Health Society(Leprosy)
- XX. Health Education Bureau (Heb)
- XXI. Non Communicable Diseases Cell (NCDC)
- XXII. Dental Cell
- XXIII. Integrated Disease Surveillance Project (IDSP)

**5. Vision for the future:**

1. Reduction in cases of blindness from 1.10% to 0.30%.
2. Implementation and follow up of vision 2020 guidelines.
3. Check up all school going children for refractive errors and other eye defects and providing free spectacles to needy patients.

4. Provident free eye check-up and free IOL operations to the poor cataract patients.
5. To prevent mortality due to Dengue/ Japanese Encephalitis.
6. To reduce morbidity due to Dengue & Chikungunya.
7. Safe and protected sex through education and counseling.
8. Adolescent Education and Increased referrals.
9. Setting up of Iodine Deficiency Disorders Monitoring Laboratory in Goa for the present financial year.
10. National Programme for Prevention and Control of Cancer, Diabetes, Cardio Vascular Diseases and Strokes.
11. National Programme for Health Care of elderly are to be implemented soon.
12. To make dental treatment available to the public and to increase the awareness of dental hygiene and the importance of treatment.

**13.05.03**

**GOA MEDICAL COLLEGE & HOSPITAL**

**1. Introduction:**

Goa Medical College is the successor of the “*Escola Medicco Cirurgiao de Goa*” established by the Portuguese in the year 1842 and thus one of the oldest Centre of Medical Education in this part of the world. In 1963, the Medical School was upgraded as Goa Medical College. It is one of the prestigious institution of the country admits 150 students for undergraduate MBBS course, 89 Post Graduate students(Degree 59 students & Diploma – 30 students) and there are two seats of M.Ch Super specialty course in Neurosurgery admitted per year. Besides, it imparts teaching to Dental, Nursing and other Para Medical students. Apart from 1200 bedded Goa Medical College Hospital at Bambolim, a 80 bedded Tuberculosis and Chest Disease Hospital at St.Inez, Panaji and 20 bedded Primary Health Centre at Mandur is attached to it. Entire complex at Bambolim is spread in an area of 11,34,798 Sq.mts.

**2. Organizational Chart of the Department:**

The college is headed by the Dean. The college comprises of four sections viz. i) Administration, ii) Accounts, iii) Academic Section and iv) Medical Section. Administration section is headed by the Director (Admn.), Accounts section is headed by Jt. Director, Academic section consists of medical departments and Superspeciality Departments and Medical Section consists of Hospital Administration and Nursing. The Organizational chart is enclosed.

**3. Functions and Duties carried out by the Department:**

Goa Medical College has 3 important functions.

- i) Medical teaching of Undergraduate and Post Graduate students.
- ii) Patient care.
- iii) Research

To achieve this Goa Medical College has:



a) **Facilities at the Hospital:**

Goa Medical College & Hospital, Bambolim Goa has the facilities in General Medicine, General Surgery, Orthopedic Surgery, Ophthalmology, ENT, Skin & VD, Obstetric & Gynaecology, Paediatric and Super – Specialties in Neurosurgery, Neurology and Nephrology. Investigation facilities in Radiology, Microbiology, Pathology and Biochemistry are available at the hospital. For Cancer patients facilities in Radiotherapy are also available. The Department of Anesthesiology backing up the surgical specialties. There are 12 Routine operation theaters and 6 Emergency Operation theatres. Department of TB & CD is functioning at St.Inez Panaji Goa.

b) **Equipments for providing medical services:**

The Hospital is equipped with all basic as well as Hi-tech equipments. The Radiology department is equipped with 6 slice CT Scan and 1.5 Tesla MRI, besides color Doppler, Ultra Sound and X- ray Machines. A stress test and ECHO Machine Auto Analyzer are available in the Department of Medicine and Biochemical Laboratory. Also the facilities for ECG and EMG are available.

4. **Acts and Rules implemented by the Department:**

Goa Medical College is regulated by:

- i) Medical Council of India Rules.
- ii) Goa University Rules

Goa Medical College has followed all the Rules in total.

5. **Vision For Future:**

1. To Start Cardiology and Cardiothoracic surgery unit at Goa Medical College.
2. To Buy cardiac cath equipment.
3. To Prepare for increase in PG sets in all subjects.
4. To Construct Additional Lecture Hall with capacity of 180 and 350 each.
5. To Construct Auditorium of Size of 1200 Sq.m.
6. To Construct Girls hostel with a capacity of 150 students.
7. To Develop Sports ground for students.
8. To Commission Biomedical Waste Disposal plant.



**2. Acts and Rules implemented by the Department:**

The Institution is recognized by Dental Council of India (D.C.I.) and affiliated to Goa University.

All Government rules i.e. service and other rules as implemented by the Goa State Government are applicable to the Institution. In addition, DCI Regulations in respect of the courses imparted by the Institution are also applicable which are as under:-

The general Government Rules are applicable to this Institution being a State Government Office. In addition, the following Rules are implemented by the Institution:-

- a) The Goa (Rules for admission for the Post Graduate Degree Courses of the Goa University at the Goa Dental College & Hospital) Rules 1998 and subsequent Amendment Rules framed by the Government.
- b) Recruitment Rules for various posts framed for the Institution for recruitment of staff viz. Group 'A' & 'B' Gazetted Post, Senior/Junior Residents, Other Group 'C' & 'D' in addition to Government Recruitment Rules for common categories of posts. The following Dental Council of India Regulations are also applicable for this Institution.
  - i. Dental Council of India BDS Course Regulations
  - ii. Dental Council of India MDS Course Regulations
  - iii. Dental Council of India (Establishment of New Dental Colleges, Opening of New or higher course of study or training and increase of admission in Dental College) Regulations, 2006.

**3. Vision for Future:**

In order to meet the minimum requirement B.D.S. and M.D.S. courses as laid down in the Dental Council of India, it is proposed to expand infrastructural facilities Therefore, the work of construction of Phase-II of the College Building has been taken up through Goa State Infrastructure Development Corporation Ltd.

**13.05.05      INSTITUTE OF PSYCHIATRY AND HUMAN BEHAVIOUR**

**1.    Introduction:**

The Institute of Psychiatry and Human Behaviour is a Psychiatric Hospital and provide medical care to all patients who come to IPHB and also gives quality care to mentally challenged persons.

The Institute is under administrative control of Dean, Goa Medical College, Bambolim since June 2001.

The present bed strength of the Hospital is 190. The IPHB, primarily seeks to provide preventive, curative and rehabilitative mental health services to the people of Goa and its neighboring States such as Maharashtra and Karnataka. IPHB has closed wards and also open wards for male and female patients separately. In open wards patients have to be accompanied by relatives or careers.

**2.    Organizational chart of the Department;**

The Institute is headed by the Director. Institute comprises of four sections viz. Administration, Office of Medical Superintendent, Rehabilitation and Social Worker Branch and Academic Section. Dy. Director(Admn.) is incharge of Administration/ Establishment section. Medical Superintendent is incharge of Office of Medical Superintendent. Rehabilitation and Social Worker Branch is under the charge of Psychiatric and Social Worker and the Academic section is looked after by Professor.

**3.    Acts and Rules implemented by the Department.**

The Institute of Psychiatry and Human Behaviour has implemented the Mental Health Act, 1987 and the State Mental Health Rules, 1990. All the admissions and discharges of patients at the Institute of Psychiatry and Human Behaviour, Bambolim are done as per Mental Health Act, 1987 and the State Mental Health Rules, 1990.

**13.05.06**

**DIRECTORATE OF AGRICULTURE**

**1. INTRODUCTION: -**

The Agriculture, Horticulture and all related activities are planned, executed and monitored by Govt. of Goa through the Directorate of Agriculture which has its head office at Krishi Bhavan Tonca-Caranzalem, Goa. The Directorate functions through the various Taluka level and other offices located in different parts of the state.

**2. ORAGANISTION SET UP**

The Director who is in charge\_of the Directorate is Ex-Officio Joint Secretary to the Government. As the Budget Controlling Authority, he exercises all the financial powers as provided under the delegation of Financial Power Rules, 2008. Five Deputy Directors, viz. DDA (Horticulture), DDA (Plant Protection), DDA (Agronomy), DDA (Watershed), and DDA (Farms) are functioning at Headquarters. There are six Assistant Director of Agriculture, ten Agricultural Officers, one Dy. Director (Administration), one Accounts Officer, one Research Assistant and one Section Officer at the Headquarters.

The Zonal Agricultural Offices are managed by a Zonal Agricultural Officer who is overall in charge of the Zonal Agricultural Office at the Taluka level and exercises financial powers. He is also responsible to monitor implementation of the developmental programme of the Directorate for the welfare of the farmers. There are 10 Zonal Agricultural offices functioning at each Talukas.

The superintendent is in charge of the Kalay and Codar Farms who is responsible to plan and execute programmes. He monitors the activities of the agricultural/horticultural planting material and seed for sale or supply to the farmers. He organizes the crop demonstration, trials and commercial production of crops of the farm.

The Farmers Training Centre at Ela, Old Goa also conducts institutional trainings and off campus training programmes besides testing of soil analysis.

Five Mechanical Cultivation Offices are stationed at Tonca-Caranzalem, Mapusa, Curchore, Valpoi & Margao. The officer in charge has to monitor the working, repairs and hiring of all agriculture machinery of the Directorate. The custom service for mechanization is provided at source and agriculture mechanization is promoted in private and co-operative sector.

**3. DUTIES AND FUNCTIONS:**

- (i) Planning, execution and monitoring of the agricultural development programmed in accordant with state and central sector policies on agriculture.
- (ii) To advice the Government in Planning of Agricultural policies.
- (iii) To take suitable measures for the welfare of the farmer for the state of Goa.
- (iv) To exercise appropriate budgetary control on Agricultural development programme and other activities assigned to the Directorate of Agriculture.
- (v) To enforce acts & rules as enforced by state and central Government from time to time.
- (vi) To execute and take appropriate actions as per the direction and decisions of the Government as and when assigned.

**4. ACTS AND RULES IMPLEMENTED BY THE DEPARTMENT:**

- (i) The Goa Oil Palm (regulation of Production and Processing) Act, 1998 (Goa Act 23 of 1998). It regulates the problems faced by the oil palm processing industry in implementation of State and Central sector schemes and decides on the revision of Fresh Fruit Bunches rates to oil palm growers.
- (ii) The Seeds Act, 1966 and Seeds Rules, alongwith the rules as well as Seed Control Order 1983 and its amendments seek to regulate the quality of all notified seeds.
- (iii) The Goa Fruit and Ornamental Plant Nurseries (Regulation) Act 1995. (Goa Act 13 of 1997) provides for the regulation of fruit and ornamental plant nurseries in the State of Goa.
- (iv) The Fertilizer Control Order 1985 red with Essential Commodities Act 1955 as amended from time to time.
- (v) The Insecticides Act, 1968/Insecticides (Amended) Act, 2000.

**13.05.07**

**CHIEF CONSERVATOR OF FOREST DEPARTMENT**

**1. Introduction:**

The Forest cover in the State is higher than the goal set by the National Forest Policy, 1988. This has been made possible due to the conservation ethos of the people of Goa, which has been supported by the most egalitarian and enlightened policy pursued by the State Government throughout. The total forest area in Goa is 1424.46 sq. km, out of which, 1224.46 sq. km. is Government Forest and the rest is private. Of the total Forest area, about 62% has been brought under the Protected Areas (PA) of Wildlife Sanctuaries and National Parks. These areas support and nurture a variety of ecosystems and a prodigality of life forms – both floral and faunal, particularly in Western Ghat areas of the State located in Sanguem, Canacona, Quepem, Ponda and Sattari Talukas.

**2. Organizational chart of the Department:**

The Department is headed by the Addl. Principal Chief Conservator of Forests. There is one Chief Conservator of Forests, two Conservators of Forests and 2 Dy. Conservators of Forests in the Department. There are two territorial Divisions and 2 Division for looking after aspects of Wildlife & Eco-tourism one each of North and South Goa, Research and Utilization, Working Plan, Soil Conservation, Social Forestry. All the Divisions are headed by a Deputy Conservator of Forests. Organizational chart of the Department is enclosed.

**3. Functions & Duties carried out by the Department:**

The Department protects and conserves the Government Forests as well as regulates felling of trees in private areas. Besides the Department takes up plantation, regeneration works in available blank areas and degraded forests. Protection of Wildlife is another important aspect. There is one national Park and six Sanctuaries in the State of Goa bringing 62% of the forest area under Protection areas network.

The Department performs a number of development activities like Rehabilitation of degraded forest, afforestation of denuded lands under Government, Private or Community Ownership Urban Forestry, Employment

generation especially in rural and isolated pockets, Construction and maintenance of Building and Roads in Forest areas, supply of Timber, Fuel wood, Soil and Water Conservation, Development of Tourism in wildness areas, Environmental Education, Protection of Wildlife and Development of habitat are some of the important Development activities.

The Forest Department is extending service in the following fields and by this charter, the Department seeks to provide frame works and information which enables the public to know about:-

- A) Felling and removal of trees in a private property by an individual / company;
- B) Concerning reservation of cottages at Wildlife Sanctuaries / National Parks;
- C) Entry to the public/school children and tour operators to the Sanctuaries / Parks;
- D) Distribution of seedling during Vanamahotsava;
- E) Enforcement of Indian Forest Act, 1927 and remedies available;
- F) Enforcement of Wildlife (Protection) Act, 1972;
- G) Issue of saw mill licenses, NOC for carpentry units;
- H) Issue of transit passes for transport of Forest produce anywhere in the State and outside the State.

**4. Acts and Rules implemented by the Department:**

The Forest Department as custodian of the Government Forest lands performs both regulatory and developmental functions. The main legislations enforced by the Department are “**The Indian Forest Act, 1927**”, “**The Wildlife (Protection) Act, 1972**”, “**The Goa Preservation of Trees Act, 1984**” and “**The Forest (Conservation) Act, 1980**” for Preservation and Conservation of the Flora and Fauna of the State.



## **13.05.08 Goa Electricity Department**

### **1. Goa Electricity Department:**

The Goa Electricity Department is responsible for purchase of power from central grid and transmission and distribution of the same to consumers. The Electricity Department is the only licensee in the state of Goa for transmission and distribution of Electrical Energy. The Department of Electricity (DoE) was formed in 1963, under the Government of Goa, Daman & Diu.

### **2. Departmental Setup:**

The Department is headed by the Chief Electrical Engineer (CEE) and assisted by four Superintending Engineers, Deputy Director (Administration), Jt. Director of Accounts and Executive Engineers. There are 17 divisional offices under the Department, of which nine are engaged in the distribution of power. There are two Circle offices headed by Superintending Engineer and 17 Division offices headed by Executive Engineers. Each Division office is having Sub-Division offices each headed by an Asst. Engineer.

### **3. Functions of the Department:**

The DoE does not have its own power generation units and the Department is carrying out the transmission and distribution of electrical energy. There are no direct link lines between the generating station of NTPC and Goa and hence the NTPC power is availed through the Grids of the neighbouring state of Maharashtra and Karnataka. The Electricity Department pays wheeling charges to Maharashtra State Electricity Board and KPTCC for using their line network for transmission of power from NTPC generating stations to Goa. The Department also buys power from Reliance Energy Ltd, GSPL, PTC Ltd. etc. The power supply thus received is distributed through a network of transmission and distribution lines to all consumers. The Department is at present catering to the needs of around 6 lakh consumers. The Department has achieved 100% rural electrification by electrifying 347 villages.

The power from the Western region is wheeled from the MSEBS 400 KV Sub-Station at Kolhapur to the 400 KV Sub-Station at Colvale in Goa from where the power is transmitted at 220KV level to Ponda and Thivim substations of the Department. From the Southern region power is transmitted from Nagjhari to Ponda. The Department has adopted Voltages of 220KV, 110KV and 33KV for sub transmission and 11KV and 440 volts for distribution purpose.

The Department has adopted overhead line system for transmission and distribution except for Panaji town where part of the area is covered by underground system. The remaining parts of Panaji and Margao town are now being provided with underground network. All the towns and villages of Goa are electrified and any intending consumer can avail power supply by submitting requisition in the prescribed form to the appropriate office of the Department subject to fulfilling the required conditions and payment of charges as per conditions of supply of Electrical Energy and miscellaneous charges.

The power supply to the new consumers is released on single phase, 230 Volts for connected load up to 3 KW and on three phase, 400 volts for connected loads above 3KW but less than 70KVA/HP connected for a single consumer. The power supply for connected loads/contract demands above 70KVA but less than 100KVA is released at a voltage of 11KV and above 1000KVA the same is released at 33 KV voltage. The Chief Electrical Engineer has however discretionary powers to release power supply at other voltages irrespective of connected load.

**4. Classification:**

The Department's consumers are broadly divided into two categories viz High Tension (HT) consumers and Low Tension (LT) consumers. Further, the seventeen Divisions under this Department are broadly sub-divided into four categories as under based on its function:

1. Operation & Maintenance
2. Procurement
3. Store
4. Power Purchase

## **13.05.09 WATER RESOURCES DEPARTMENT**

### **1. Introduction:**

The Water Resources Department, formerly known as Irrigation Department was a part of the Public Works Department (PWD) even prior to liberation of the State of Goa from Portuguese rule. Eventually, certain Divisions/Circles were carved out from the earlier composite Public Works Department and an independent Irrigation Department was formed on 1/7/1981. Subsequently, it was renamed as Water Resources Department.

### **2. Organizational chart of the Department:**

The Water Resources Department is headed by the Chief Engineer and assisted by 1 Additional Chief Engineer (Madei River Inter State Dispute) heading the Madei Cell, 4 Superintending Engineers heading Circle Offices and the Central Planning Organization, 10 Executive Engineers heading Divisional Offices and assisted by Assistant Engineers heading Sub-divisional Offices. The Chief Engineer is assisted in his office by the Engineering Officer, Deputy Director (Administration) and the Assistant Accounts Officer heading their respective sections.

The Goa Tillari Irrigation Development Corporation (GTIDC) is headed by the Chairman and assisted by the Additional Chief Engineer (Project) who is the ex-officio Managing Director, 1 Superintending Engineer heading a Circle and a Superintending Surveyor of Works, 3 Executive Engineers heading Divisional Offices and Assistant Engineers heading Sub-divisions located in Bardez, Bicholim and Pernem talukas. The hierarchal organizational chart of the Department and GTIDC is enclosed.

### **3. Functions and Duties carried out by the Department:**

The Water Resources Department is in-charge of management, monitoring and development of the water resources in the State of Goa in the sweet water zone. The main function of the Department is optimum, integrated development of the available water resources and its judicious utilization in a scientific and

sustainable manner as well as to provide infrastructure facilities. The activities of the Water Resources Department are mainly classified as under:

- Major and Medium Irrigation.
- Minor Irrigation including surface as well as ground water
- Flood Control, Anti-sea Erosion and Drainage including anti-landslide.
- Command Area Development in the commands of Salaulim, Tillari and Anjunem Irrigation Projects, covering an area of 24,422 Ha in the State by providing infrastructure and water distribution works for optimal utilization of water for irrigation and to increase crop productivity per unit area.
- Implementation and Development of Minor Irrigation schemes in the Hill Areas/Western Regions of Sattari, Sanguem and Canacona talukas under the Western Ghats Development Programme.
- Protection of interests of Goa State in the Madei River Inter State Dispute in the Mandovi Inter - State River Water Disputes Tribunal to resolve the dispute.

#### **4. Acts and Rules implemented by the Department:**

##### **State Acts:**

1. The Goa Irrigation Act, 1973.
2. The Goa Command Area Development Act, 1997.
3. The Goa Tillari Irrigation Development Corporation Act, 1999.
4. The Goa Ground Water Regulation Act, 2002.
5. The Right to Information Act, 2005.

##### **Rules:**

1. The Goa Irrigation Rules, 1975.
2. The Goa Command Area Development Rules, 1999.
3. The Goa Tillari Irrigation Development Corporation Rules, 1999.
4. The Goa Ground Water Regulation Rules, 2003.
5. The Goa Ground Water Regulation (Amendment) Rules, 2005.

## **13.05.10 DIRECTORATE OF EDUCATION**

### **1. Introduction:**

The education system in Goa is effectively streamlined in keeping with the National Curricular Framework 2005 (NCF 2005) to upgrade the quality of education at all levels. The state has already implemented the R.T.E. Act, 2009 to ensure that no child in the age group of 6-14 years remains out of school. For the proper and effective implementation of the R.T.E. Act, 2009, Goa R.T.E. Rules, 2012 have been notified.

Though the State of Goa has recorded 87.4% (P)\* literacy and a high attainment level, the need of the hour is to reinforce its educational policy towards bridging regional and gender gaps, reducing the drop-out rate, emphasizing skill development and vocational programmes to curb unemployment, improving quality of education, infrastructure development in schools, orientation of teachers, computer integrated education and upgradation of libraries.

### **2. Organizational chart of the Department:**

#### **Organizational Set-up**

The Directorate of Education deals with the organization, development and regulation of School Education in the State of Goa under the provisions of the Goa, Daman & Diu School Education Act, 1984 and rules made there under. The educational structure of the State consists of primary, middle, secondary and higher secondary education.

#### **Directorate Level**

It is headed by Director of Education who is Ex-officio Joint Secretary (Education) and is assisted by Director (Administration), Joint Director of Accounts, three Deputy Directors of Education for Planning/Vocational, Academic, and Adult Sections, six Assistant Directors of Education, Vocational Education Officer and Environmental Education Officer.

#### **District Level**

Goa has two districts viz. North Goa and South Goa. However for educational purposes the State has been divided into three educational zones.

Each zone comprising of three to four talukas / blocks. The headquarters of these zonal offices are (a) at Panaji for the Central Zone covering Tiswadi, Ponda and Sanguem talukas / blocks; (b) at Margao for the South Zone covering Canacona, Quepem, Salcete and Mormugao talukas / blocks; and (c) at Mapusa for the North Zone covering Pernem, Bardez, Bicholim and Sattari talukas / blocks. Each zonal office is headed by a Deputy Director of Education. He is assisted by an Assistant Director of Education and a Deputy Education Officer who looks after academic matters.

#### **Taluka / Block Level**

At the block level, three / four Assistant District Educational Inspectors look after the work of administration, supervision, coordination, monitoring, etc. under the supervision and guidance of the Assistant Directors of Education in charge of the respective zones.

All the ADEIs are of the same rank and generally the senior most ADEI manages the block level education office and also functions as a drawing and disbursing officer for all government primary and middle school teachers and office staff.

### **3. Functions and duties carried out by the Department:**

- (i) The Directorate of Education looks after the entire School Education System, its process and it's working in the State of Goa. This includes the implementation of various Acts, Rules & Regulations and the procedures laid down by the State Government, as well as the Government of India.
- (ii) The Directorate of Education is involved in the Recruitment(s) / Creation(s) / Continuation(s) / Extension(s) / Revival and Promotion(s) of Government and Government Aided teaching & non-teaching staff. This also includes issue of various NOC's pertaining to the School Education sector as a whole.
- (iii) The Department also issues various Circulars, guidelines and notifications from time to time pertaining to the Acts, Rules & Regulations.
- (iv) Effective and timely implementation of various schemes of the Government of Goa and the Government of India, so as to reach to all the beneficiaries at micro level.

**4. Acts and Rules implemented by the Department:**

**(i) Education Board Act and Rules 1975**

- a) To grant and to withdraw recognition to the secondary and higher secondary schools.
- b) To advise the Government of matters of policy relating to secondary and higher secondary education in general and on the following matters in particulars.
- c) Ensuring a uniform pattern of education.
- d) Maintaining of a uniform standard of education in secondary and higher secondary school.
- e) Co – ordination between the national policies and the policies of the territory in respect of secondary and higher secondary education.
- f) Co – ordination between primary, secondary, higher secondary and university education.

**(ii) Goa School Education Act, 1984**

To provide for better organisation and development of School Education the Govt. Of Goa has enacted the Goa School Education Act, 1984.

**(iii) Goa Education Rules, 1986**

To provide for the smooth implementation and functioning of the schools as per the Goa School Education Act, 1984, the Goa School Education Rules, 1986 were framed.

**(iv) Right to Education Act, 2009**

MHRD, Govt. Of India has enacted Right of Children to free and Compulsory Education Act, 2009 (RTE Act, 2009) extending to whole of India except Jammu & Kashmir. The Act has come into force on 1<sup>st</sup> April 2010. The Act is to provide free and compulsory Education to all children of age group of 6 years to 14 years.

Under this Act, the Govt. of Goa has notified the Goa Right to Free and Compulsory Education Rules, 2012 as per the Section 38 of the RTE Act, 2009.

## CHAPTER-1

### Constitution and Functions

#### 1.01 Introduction

The office of the Accountant General, Goa was upgraded on 1st January 2004 from the office of the Senior Deputy Accountant General (Audit), Goa. This is one of the field offices of Indian Audit and Accounts Department headed by the Comptroller & Auditor General of India whose duties, powers and conditions of services are prescribed by the Act of Parliament in 1971.

#### 1.02. Audit Functions of the Accountant General, Goa

Accountant General, Goa is entrusted with the following audit functions:

1. Audit of receipts and expenditure of the State Government Offices and State Autonomous Bodies including Goa University.
2. Certification of Finance Accounts and Appropriation Accounts prepared by the State Government.
3. Audit of State Government Companies, Corporation and Departmental Commercial Undertakings
4. Review of the schemes/projects undertaken by the Union/State Government.
5. Preparation of Composite Audit Report on the transactions of the State Government, and the report on States Finances besides assisting the State Public Accounts/Undertaking Committees during examination of the concerned Reports.
6. Issue of Audit Certificates relating to the World Bank aided Projects, Externally Aided Projects and Centrally Sponsored Schemes.

#### 1.03. Organisational Structure

The office is headed by the Accountant General and is assisted by a Deputy Accountant General. The Functional wings of this Office are:

**REPORT WING** – Entrusted with finalisation of material for Audit Reports, assisting the Accountant General while attending the Public Accounts Committee (PAC)/ Committee on



Public Undertakings (COPU) meetings and follow up on the Action Taken on the recommendation of PAC/COPU.

**CENTRAL AUDIT SUPPORT SECTION(CASS)** – Supporting Sections for Central Audit Parties central audit of vouchers received from the Director of Accounts, checking the Finance and Appropriation accounts before certifying of the same by the CAG and Issue of Audit Certificates for Centrally Assisted Schemes and World Bank aided projects.

**GENERAL SECTOR** – General Sector Audit Wing is responsible for audit of the expenditure of 12 departments of Government of Goa under Section 13 of DPC Act, 1971. Three autonomous bodies (Goa State Legal Service Authority, North Goa State Legal Service Authority and South Goa State Legal Service Authority, auditable under Section 19 of DPC Act 1971 are audited by parties from this sector. There are 116 auditee units under General Sector.

**SOCIAL SECTOR** – Social Sector Audit Wing conducts audits of the units pertaining to the Departments under Social Services under Section 13, 14, 15, 19, & 20 of C&AG's DPC Act, 1971. The total departments covered by the Social Sector are 19. 514 auditee units are covered.

**ECONOMIC SECTOR – I** – Economic Sector Audit Wing-I is responsible for audits of commercial undertakings under Section 19 of C&AG's DPC Act 1971 and trading activities of the State government. Audit of Government Companies is governed by Section 619 of the Companies Act, 1956. The accounts of the State Government Companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the C&AG of India as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by C&AG as per the provisions of Section 619 of the Companies Act, 1956.

Audit of Statutory Corporations is governed by their respective legislations. C&AG is sole auditor for both the Statutory Corporations viz., Goa Industrial Development Corporation and Goa Information Technology Development Corporation. Audit of the transaction of Electricity, Agriculture, Animal Husbandry, Ports, Tourism and Forest Department also conducted by Economic Sector –I. The total number of units are 81

**ECONOMIC SECTOR – II** – Economic Sector Audit Wing – II is responsible for audit of the revenue (State receipts) and expenditure of 13 departments of Government of Goa under Section 13, 16, and 19 of CAG's DPC Act 1971. The total number of units are 218

**ADMINISTRATION, ESTABLISHMENT AND GENERAL SECTION**– Deals with Office Administration/establishment matters and looks after the implementation of the Official Language

The outside Audit Department is under the charge of the Sr. DAG at the Head quarter. In respect of field parties and Headquarters work is assisted by Sr. Audit Officers/Audit officers based on the requirement as per standard prescribed by C&AG.

Each Audit sections are controlled by Headquarter. Headquarter exercises overall control over the working of field parties. Its main functions are to:-

- a) Prepare tour programmes of the field parties.
- b) Issue intimations of audit to the audit entities.
- c) To collect all documents for audit from CASS and forward them to field parties.
- d) Issuing and pursuance of all IRs, till all audit points are settled.
- e) Maintain register of audits, indicating dates of commencement of audit, completion of audit receipt of IRs their approval and issue to the office concerned to ensure that reports are issued within the prescribed time.
- f) Watch assessment, raising demands, receipt of amount in respect of audit fees recoverable are fully recovered in time and to maintain records register for the purpose.
- g) Fix and revise the rates of audit fees from time to time as per instruction of CAG.
- h) Maintain all audit note books (Audit Programme Books) and to bring them up to date.
- i) Maintain register of cases of financial Irregularities potentials draft paras and to process them for inclusion in conventional Audit reports
- j) Collect, examine and submit the weekly diaries of field parties to Branch Officer and to watch their prompt receipt.
- k) Scrutinize Travelling Allowance Bills of field staff with reference to the diaries of the field staff and approval programme allotted to them before they are transmitted to Establishment section.

- l) Forward/supply to all field and other staff important orders/circulars/codes / manuals, etc. Required by them for smooth and efficient conduct of audit.
- m) To keep annuals guard file to instruction containing scope, extent of audit, percentage of audit, selection of months etc. Upto date for guidance of field parties /Headquarter staff
- n) Maintain all registers/returns/documents/prescribed by CAG/AG/ DAG and ensure their prompt submission to respective authorities on prescribed dates.
- o) Maintain calendar of returns, review the same and submit to the prescribed authorities on due duties and thus ensure proper and effective control over the working of Headquarter.
- p) To conduct periodical reviews of scope, extent and percentage of audit/scrutiny of various accounts/documents of all officers coming within the purview of audit and revise/ fix the quantum & scope of audit in each case as deemed fit in each case.

Do any other work entrusted to the Branch by AG/DAG

**1.04** 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.

**1.05** The Outside Audit Department is entrusted with the duty of discharging the following functions assigned to the C&AG of India under the provisions of various Sections of the above Act

- i) Inspection and local audit of expenditure in government offices and institutions including pension payments by Public Sector Banks (Sn.13)
- ii) Local audit of receipts and expenditure of bodies and authorities substantially financed by grants and/ or loans by Government(Sn.14)
- 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)
- iv) Local audit of receipts of the State Governments (Sn.16)
- v) Local audit of the accounts of stores and stock kept in any office or department of the State Government (Sn-17)

- vi) Audit of Government Companies under the provisions of the Companies Act 1956 (Sn.19(1))
- vii) Audit of accounts of Corporations (not being companies) established by law made by Legislature (Sn.19(2))
- viii) Audit of accounts of Corporations established by law made by the legislature of the State on request by the Governor (Sn .19(3))
- ix) Audit of accounts of any other body or authority undertaken on the request of the President/Governor (Sn.20(1))
- 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&AG (Sn. 20(2))

(Extracts of Sections 13 to 20 of Comptroller and Auditor General's (DPC) Act. 1971 are given in **Annexure I** to this chapter)

**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(Section13)**

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. (Section14)**

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.(Section15)**

*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 (Section16)**

*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 (Section17)**

*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. (Section 19)**

**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 Section19, 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 (Section20)**

**20 (1)** Save as otherwise provided in Section19, 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)

**1.06                    Selection of staff for inspection works:**

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 specially 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.

(CAG's letter No. 539-Admn.5.Rep/49 dated 23/3/1950)

**1.07                    Levy of fee for the audit of the accounts of Non-Government Funds:**

- (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 :
  - 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.
  - 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.

(Govt. of India, Ministry of Finance (Department of Expenditure) O.M. No. F.5(7)-S.II(A)56 dated 14/8/1957).

**NOTE :**

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).

b) Where C&AG acts as the sole auditor of autonomous bodies either under Section 19 or under Section 20 of the C&AG's (DPC) Act, 1971,

(C&AG's Letter No. 1741-Audit.II/147-TA-I/75 ( Cir. No. 38 Audit. II/1985 dated 7-11-1983).

(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&AG of India.

(iii) Heads of Departments of Indian Audit & 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 :

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.

(CAG's Letter No.65-Tech. Admn. I (A)/33-65 Vol.II dated 6-1-1969).

(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.

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&AG's Office to see that there are no wide disparities in the rates approved in different offices.

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&AG's Office.

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 1-1-2008 approved by the Accountant General (Audit) are given in **Annexure II** to this chapter.

(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.

	<b>Register maintained by</b>	<b>To be reviewed by</b>
1	OA(HQ) Section	Sr. Audit Officer/Audit Officer.

**Annexure - II**

<b>DAILY RATES OF AUDIT FEES WITH EFFECT FROM 1.1.2008 to 30.6.2008</b>						
	<b>AAO</b>	<b>SO</b>	<b>SR.AR.</b>	<b>AR.</b>	<b>CL.TY.</b>	<b>GR.D</b>
<b>Average cost</b>	9610.00	8500.00	7250.00	5750.00	3820.00	2973.00
<b>DP 50%</b>	4805.00	4250.00	3625.00	2875.00	1910.00	1486.50
<b>Total</b>	14415.00	12750.00	10875.00	8625.00	5730.00	4459.50
<b>DA @ 47%</b>	6775.00	5993.00	5111.00	4054.00	2693.00	2096.00
<b>CCA</b>	120.00	120.00	120.00	65.00	35.00	35.00
<b>HRA 15%</b>	2162.00	1913.00	1631.00	1294.00	860.00	669.00
<b>Bonus</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>Transport Allowance</b>	200.00	75.00	75.00	75.00	75.00	75.00
<b>Direct cost</b>	23672.00	20851.00	17812.00	14113.00	9393.00	7335.00
<b>Add: Indirect cost (125% of DC)</b>	29590.00	26064.00	22265.00	17641.00	11741.00	9169.00
<b>Cost per month</b>	53262.00	46915.00	40077.00	31754.00	21134.00	16504.00
<b>Cost per year (*12)</b>	639144.00	562980.00	480924.00	381048.00	253608.00	198048.00
<b>Cost per day (/230)</b>	2779.00	2448.00	2091.00	1657.00	1103.00	861.00
<b>I.e. to say</b>	2780.00	2450.00	2090.00	1660.00	1100.00	860.00

**CHAPTER 2****DUTIES OF HEADQUARTERS SECTIONS**

**2.01** The main duties of Headquarters Section are:

- i) To prepare tour programmes of the Inspection parties and supervising officers;
- ii) To issue intimation of audit to the offices concerned;
- iii) To collect all relevant files, documents etc. and to dispatch them to the inspection parties;
- iv) To edit the inspection reports received from the inspection parties and to check the accounts, if any, attached thereto before submission for approval;
- 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;
- vi) To maintain the registers prescribed for the Section in addition to the general registers required to be maintained otherwise;

**Note :** A list of such registers with brief note is given at the end of this chapter as **Annexure-I**

- vii) To distribute office orders, circulars, etc. to the inspection parties.
- viii) To examine the weekly diaries of inspection parties;
- ix) To review the outstanding paragraphs in the inspection reports monthly;
- x) To report delays in the disposal of inspection reports by Heads of Offices to the Finance Department;
- xi) 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.
- xii) To maintain policy files in respect of loans and grants; and
- xiii) 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.

- xiv) To prepare draft paragraph for Audit Report relating to Civil Departments for processing at Report Section Goa

## **2.02 Programme of audit of the Outside Audit Department:**

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:

### **i) List of Auditees :**

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.

- (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 Section.
- (b) Preparation of Audit Plan.
- (c) Preparation of Annual Forecast.
- (d) Preparation of quarterly tour programme of OA parties.
- (e) Preparation of tour programme of supervising officers.

Preparation of Diary Verification Sheets for checking the diaries received from OA Parties

### **ii) Audit Plan**

- (a) Annual Audit Plan with detailed Audit Plan for the first year has to be prepared and sent for the approval of Principal Director (WR) by 1<sup>st</sup> August every year or even earlier if request by Hqrs. For this purpose, the units and inspection parties are to be categorised as category A, B & C based on risk analysis is as shown below :



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

<b>Parties - Category</b>	<b>Composition</b>	<b>Supervision</b>
A	1 Sr.AO / AO 2 AAOs	100 percent
B	2 AAOs. 1 AAO + 2 Sr. Auditors	50 percent
C	1 AAO, 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 dt. 04/10/2002 and 155WR/Coord/AP/2015-16/51-16/51-2014 dt. 26/03/2014)

- (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. a) Introducing cost effective audit and allocating cost for each activity (group) so that scarce resources (manpower, money and time) can be utilised most judiciously.
  - b) 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 Headquarters for approval.

c) 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.

(CAG's Lr. No. 380-Codes.I/41-74/Gr.V dated 5-8-1975).

iii) **Risk analysis - Meaning and role of risk in audit.**

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.

- (a) In this situation, we have to assess risk to conduct the audit with an acceptable level of assurance.
- (b) Audit risk means that auditors may give an opinion that is not correct or auditors 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.
- (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.

iv) **Procedure for drawing up programmes**

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 Plan approved by the Accountant General.

The quarterly programmes will show the offices to be audited by each inspection party and the date of commencement and termination of each audit. The following points should be borne in mind in preparing the programme.

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.
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.
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
4. A copy of the approved programme should be supplied to the respective AAOs/SOs and the officers who supervise the audits.

v) **Local audit of contingent expenditure by Receipt Audit parties:**

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.

(Authority: CAG's Lr. No. 101-Rec/A.III/145-72-III dated 18-4-1973).

**2.03 Intimation regarding taking up of audit.**

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, fifteen 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.

**2.04 Tour Programme of Group Supervising Officers/ Audit Officers:**

(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. 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.

CAG.s Cir. No. 375-Audit (AP)/236-95-II dated 18/12/2008) and No. III/P/5-300-PPO/30-2013 dt. 25/09/2013

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

**2.05** 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 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) Section

**2.06 Calendar of Returns:**

A Calendar of Returns shall be maintained by the AAO 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 in each case and the Calendar of Returns submitted to the Branch Officer every Monday and to the Group Officer on the 1<sup>st</sup> Monday of each month.

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.

**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, Master Audit Programme register 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 (H.Qrs.) Section after approval by the Group Officer.

Cases so reported for examination during local inspection are included in the register by the (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. 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 giving reference to the orders on the connected file.

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

This register is maintained in **Form III**. The timely submission of inspection reports by the audit parties, their submission by (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 )

**(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** (see Para 8.13 of this Manual.)

**(v) 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** 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.).

**(vi) 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 (HQrs) with reference to the programme of the party, diaries, leave etc.

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

This register has to be maintained in **Form VII**.

**(viii) 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)).

**(ix) 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 (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 of this Manual.)

**(x) 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**.) 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 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 Para 8.14 of this Manual.).

**(xi) Register of Weekly Diaries.**

A check register of weekly diaries of the members of audit parties should be maintained in (HQ) Section in **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 No. XIV**)

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

**(xii) Register of Potential Draft Paras.**

The register may be maintained in the **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 may 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 paragraph 2.0)**  
**OFFICE OF THE ACCOUNTANT GENERAL, GOA**  
**AUDIT BHAVAN, ALTO-PORVORIM**  
**GOA- 403521**

No. AG/Goa/OAD/Audit Intimation/Prog/

Date:

To

.....**Sub: Audit Intimation**

Sir,

I am to inform you that Shri/Smt.....

Asst. Audit Officer of this office will be auditing the accounts of your office on or about..... and succeeding days. He may please be afforded all facilities in carrying out the audit. The audit will also be supervised by Shri/Smt.....Audit Officer from .....

I shall be obliged if you direct your staff to produce without delay all the documents and accounts that may be required by Section Officer. It is desirable that the registers and the accounts (including proforma accounts where required) are got ready sufficiently in advance to enable the audit party to start the audit programme and complete it within the prescribed period. Any delay in the submission of the records will dislocate the entire programme that has been framed for the party.

I would also request you to make suitable arrangements to see that the preliminary audit memorandum issued by the Section Officer/AAO are replied and returned to him within the time specified by him which may vary from one to three days and that the objections are promptly taken up for settlement. Specific comments may be noted against the paras of the audit notes which may be handed over to the Section Officer/AAO. Replies to Audit reports may also be handed over to him.

It will be an advantage if you can present at the Headquarters throughout the period of audit so as to facilitate the settlement of as many audit objections as possible on the spot. In many cases, it is important that you should be present at least during the closing period of audit in order to hold discussions with you.

Service books and leave accounts of Government Servants who are likely to retire within 5 years of the date of inspection should be submitted for inspection by the audit party along with a signed statement showing the names of such persons and the date their retirement. If there are no such cases, NIL' signed statement may be furnished.

In respect of countersigned contingencies, if any, the sub-vouchers for the entire period of audit mentioned above retained by the countersigned officer after scrutiny and cancellation in his office should be called for from him for verification and return after audit.

Information in the enclosed questionnaire may be kept ready for scrutiny by the Section Officer/AAO and may be handed over to him for onward transmission to this office.

**Yours faithfully,**

**Sr. Audit Officer/Hqrs**

**List of records to be kept ready on the scheduled date of commencement of audit.**

- I.** Please state the name of the individuals who held the Charge of the post mentioned below during the period covered by audit.
1. Head of the Institution:
  2. Name of the Admn. Department in the Secretariat
  3. Persons in charge of case
  4. Persons in charge of account
  5. Persons in charge of stores and stock
- II.** Please state whether any audit was so far conducted by the Accountant General and if so, state the details of last audit and furnish a list of objections still outstanding and mention action taken for settlement or reasons for non settlement and produce the files and records for perusal and return.
- III.** Please state whether any Dept. Inspection & checking of accounts verification of cash and stock was done during the above period by any controlling officer or head of the dept. If so, state the dates and designation of the inspecting officers and produce their reports for perusal and return
- IV.** Please state whether any Dept. Inspection & checking of accounts verification of cash and stocks was done during the above period by any controlling officer or head of the dept. If so, state the dates and designation of the inspecting officers and produce their reports for perusal and return.
- V.** Please furnish an exhaustive and certified list of the books of

accounts / registers and returns and a complete list of all the accounts / files e.g. Budget, security, purchase, sanctions, grants, loans, challans, vouchers etc. Maintained in your office for all the schemes institutions and offices for which you are the drawing officer and produce these for audit.

- VI.** Please state fully as to what the arrangement for the safe custody of Government and non-Government cash held is and mention whether any cash chest fixed in wall with double locks and duplicate key system exists. If so, who are the custodians of duplicate keys and other two original keys?
- VII.** Please state whether the total cash balance according to the cash book as on the date of commencement of audit and certify as to whether it agreed the physical balance. Also give an analysis of the cash balance stating as to what they pertain to, the date of their drawal from the Treasury and why they have not been disbursed so far.
- VIII.** Please state whether there is any Govt. Petrol, diesel driven vehicle, power or petrol driven machinery pumps etc. Under your control, If so, produce the records thereof such as sanction, log books and petrol, oil and lubricants accounts etc. For verification by audit. If not produce "Nil" certificate.
- IX.** Please state what is the amount of permanent advance or imprest held by the subordinate officer under your control and state the number and date of sanction

- X.** Please state whether draw or receive any amount for expenditure other than by drawal of bills on the Treasury or “Sub – Treasury controlling or other officers. If so, state full details and produce full accounts thereof, if not furnish a “NIL” certificate.
- XI.** Please state whether you hold any personal ledger or deposit account in Treasury, Sub-Treasury or State Bank or private bank or Post office for any Govt. Or non-Govt. Money or fund. If so, state full details and sanction thereof and produce all accounts thereof, if not furnish a “NIL” certificate.
- XII.** Please state whether you handle any non-Govt fund or money in you official capacity. If so, state full details thereof.
- XIII.** Please state whether there are any source of income or revenue for the institution, officer scheme. If so, state full details thereof and produce records for scrutiny by audit, e.g. rent on building, auction of natural produce, lease money, sale of products, sale of forms etc. If not produce a “Nil” Certificate.
- XIV.** Please state whether the amount and the nature of security deposit prescribed by Govt. And heads of the department for the posts mentioned above in para and for any other posts under your control which require handling of cash or valuable stores and state the number and date of the orders prescribed the “Security” deposit Register and securities for verification by audit. Kindly state whether personal surety bond has been obtained from the persons

who are surety bond has been obtained from the persons who are yet to pay the prescribed security deposit.

- XV.** Please give a list of all purchases of stores and stock and other materials made during the period of audit for Rs. 50,000 and above at a time. Also produce the tenders, comparative statement, agreements, and invoices for the above purchase.
- XVI.** Please state whether the stocks held by you (Dead stock consumable stock and live stock etc) have been physically verified annually. If not, please give a “NIL” certificate. Also state whether there has been any shortage or write off of condemned stock. If so, produce there relevant files.
- XVII.** Please state the number of non gazetted class. III and IV officials working under your control under reach category, scale or cadre and mention the name and designation of the individuals who are likely to retire within 5 years from the date and produce their service leave account for verification. If not furnish a ‘nil’ certificate. The Service books, rolls or all other class III & IV servants working under your control and GP Fund account of class IV servants may also please be produced to audit.
- XVIII.** Please state the closing cash balance as on 31/3/2000 and 31/3/2000 and give an analysis showing the dates for their drawal from Treasury, the purpose of which they were drawal from Treasury and the dates of their actual disbursement.

- XIX.** Please state whether any case of (suspected or substantial) over – payment, double payment or fictitious payment or loss of Govt. Money valuable stores by natural cases or otherwise by defalcation, misappropriation of theft has come to the notice during the period covered by audit prior to the date.
- XX.** Please state whether any kind of Grant-in-aid, subsidies or scholarship or stipends are sanctioned, drawn or disbursed by you. If so, furnish full details of such payments during the period covered by audit and produce all records for verification by audit. Please furnish sanction files and utilization certificates, if not furnish a “NIL” certificate.
- XXI.** Please state whether any kind of loans other than the recognized loans and advances to the Govt. Servants and sanctioned, drawn, dues, over dues, amounts of principal and interest on loans paid during the period covered by audit and produce sanction files and all loans records for verification by audit. If not, furnish a “NIL” certificate.
- XXII.** Major heads of expenditure:
- XXIII.** Total contingent expenditure for the last two financial years.  
Break-up of the expenditure according to the various minor and sub – heads of accounts e.g.
- i. Rent, Rates and Taxes
  - ii. Materials and Supplies
  - iii. Other charges
  - iv. Office expenses
  - v. P.O.L.
  - vi. Wages
  - vii. Advertisement and publicity

- viii. Professional and Special
- ix. Minor Works
- x. Motor vehicles
- xi. Machinery and equipments
- xii. Total

**XXIV.** In respect of loans and subsidies sanctioned etc. The following data may be kept ready

- i. Files containing sanctioning the scheme under which loans/ grants are paid
- ii. Amount of loans and grants disbursed under each Scheme during the last 3 years
- iii. Whether the utilization of the loans / grants have been verified and if so, the files containing the results thereof, may be shown to audit party
- iv. Up to date amounts due for recovery against
  - a) Principal
  - b) Interests
  - c) Unutilised grants
- v. Amount so far recovered separately against
  - a) Principal
  - b) Interests
  - c) Unutilised grants
- vi. Amounts (overdue) which are pending recovery
  - a) Principal
  - b) Interests
  - c) Unutilised grants
  - d) Reasons of arrears
  - e) Action taken to recover the amounts
  - f) Amounts pending with bodies in liquidation, defunct etc.
- vii. Analysis of the arrears year wise year in which amount fell due for recovery  
Amount in arrears
  - a) Principal
  - b) Interests
  - c) Unutilised grants

Note: 1. The Figures shown against the total should agree with the figure shown against (a), (b) and (c) of item (vi) above

2. The date regarding (ii) to (vii) above may be given separately for scheme

**XXV.** In respect of the schemes executed or controlled by you, the following data may be kept ready separately for each scheme.

- 1) Name of the scheme wise with its nomenclature, original order sanctioning it, its objectives and a brief
- 2) Figures for the last 3 years may be given separately as under:
  - a) Physical targets/achievements
  - b) Financial estimates/actual
  - c) Reasons for the variation in each case
- 3) Progress report files regarding working / review of the scheme
- 4) If the schemes are not working as per the original visualization the reasons, thereof and remedial action taken
- 5) Files containing the important orders on the scheme.

**XXVI.** If any machinery, equipment etc, which are in good and serviceable condition have not been utilized for over 2 years particulars thereof may be given in the statement in following form

- i. Name and description of machinery
- ii. Date of purchase
- iii. Cost
- iv. Period, if any, during which it was used from.....to.....
- v. Remedial action taken

**XXVII.** List of cases whether further grants in aid were released pending receipt of utilization certificates in respect of grants already released by your Department may be furnished to the audit party in a separate statement in the following proforma.



Name of the Institution	Particulars of the grants for which UC are awaited		Particulars of grants paid to the same Institution for the subsequent period		Year of Payment	Amount paid	Year of Payment	Amount paid
	Year of Payment	Amount paid	Year of Payment	Amount paid				

**XXVIII.** In respect of the GPF / Accounts of class IV Govt. Servants please keeps a statement (in duplicate) showing the name of all Government servants as on 1.4. in your office and the balance against each as on that date ready for check, by the audit party. The statement should also indicate the total balance for the entire office and certified as such by the Head of office.

**XXIX.** Please state whether there are any subordinate office where cash books are maintained, though such offices does not enjoy the drawing posers and whether any procedure exists in your office which enables your office to correlate the monetary transactions, in your records which actually takes place in the subordinate office and booked in cash books maintained by subordinate offices.

**Signature of Head of Department**

**CHAPTER - 3**  
**PROCEDURE DURING INSPECTION**

**3.01 Scope of Inspection and local audit**

The broad outline of duties and responsibilities allocated to various categories of personnel in civil audit parties is given in **Appendix II** 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

**3.02** 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 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

**3.03 (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.

(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 Seol 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.

**c) Code of Ethics**

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.

The Code requires that:-

- i) The conduct of auditors should be beyond reproach at all times and in all circumstances.
- 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.
- 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.
- 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.
- 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.
- 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.
- vii) Auditors should conduct themselves in a professional manner at all time and to apply high 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.

### **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.

#### **a) Basic Postulates**

- i) The Supreme Audit Institution should apply its own judgement to the diverse situations that arise in the course of Government auditing.
- ii) 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
- iii) Development of adequate information, control, evaluation and reporting system within Government to facilitate accountability process.
- iv) Appropriate authorities should ensure promulgation of acceptable accounting standards for financial reporting.
- v) Consistent application of accounting standards for fair presentation of the financial position.
- vi) The existence of an adequate system of internal control to minimise risk of errors and irregularities.

- vii) Legislative enactment for providing access to all relevant data necessary for comprehensive assessment of the activities under audit.
- viii) All audit activities should be within SAI's audit mandate.
- ix) SAI should work towards improving techniques for auditing the validity of performance measures.
- x) Supreme Audit Institution should avoid conflict of interest between the auditor and the entity under audit.

**b) General Standards**

- i) The auditor and the audit institution must be independent. This means independence from Legislature, the executive and the audited entity.
- ii) 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.
- iii) 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.
- iv) 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.

**c) Field Standards**

- i) 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.

- ii) 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.
- iii) The auditor in determining the extent and scope of audit should study and evaluate the reliability of internal control.
- iv) 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.
- i) In conducting performance audits, an assessment should be made of compliance with applicable laws and regulations when necessary to satisfy audit objectives
- ii) 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.
- iii) Competent, relevant and reasonable evidence should be obtained to support the auditors judgement and conclusion regarding the organisation, programme, activity or functions under audit.
- iv) 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.

**d) Reporting Standards**

The reporting standards constitute the frame work for the audit organisation 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:

- i) 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.
- ii) The auditor should issue the reports in a timely manner for use by management, legislature and other interested users.

- iii) The audit report may be presented on other media that are retrievable by other users and the audit organisation.
- iv) 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.
- v) 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/serious financial irregularity.
- vi) 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.
- vii) 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.
- viii) 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.
- ix) Auditor should report deficiencies in internal control that they consider to be reportable conditions.
- x) The report should have a suitable title or heading.
- xi) The report should be properly signed and dated.
- xii) The report should include reference to the objectives and scope of audit.

- xiii) Audit opinion and reports should identify the legislation or other authority providing for audit.
- xiv) 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.

**3.04** 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.

**3.05** 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 before taking up or pursuing questions which are likely to take an awkward turn.

**3.06** 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 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.

**3.07** 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 cashbook 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 (Auditor General's Lr. No. 31-Admn.I/205-36 dated 15-1-1937)

**3.08** 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.

**NOTE :**

1. The use of any form of questionnaire is prohibited.
2. The material for the inspection report should be gathered by the inspection staff themselves from the records they have inspected.

**3.09** In auditing accounts, all entries checked should be ticked or cross-ticked by the auditors and all vouchers or challans examined should be initialled by them. When the document checked by the auditor is reviewed by the AAO he should record against the auditor's entry the word 'Reviewed' under his dated initial.

**3.10** 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.

### **3.11 Power to make independent enquiries:**

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.

If there are suspicious circumstances in the accounts, the Inspecting Officer should report the fact to the Group Officer

### **3.12 (i) The period to be audited**

The period of accounts to be audited by the Inspection Staff should cover the transactions falling between the dates 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

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.

(CAG's Lr. No. 126-TA/I-206-81 dated 28-1-1982).

### **(ii) Selection of month for test audit**

The selection of months for detailed check during local audit is as follows:

The month(s) for Detailed Check /Arithmetical accuracy (AA. check) will be selected by the HQrs Sr. AO & approved by Group Officer and intimated to parties at the beginning of the quarter. In the Title Sheet, the parties should indicate after the month (s).selected.

### 3.13 Papers to be sent for Audit:

For test audit of offices, the local audit party should be equipped with the following documents:

- (i) The previous inspection reports
- (ii) The statement of points to be examined at local inspection furnished by the (Hqrs) section
- (iii) The list of grants-in aid and loans relating to the office under inspection furnished by audit section
- (iv) List of outstanding objections which has been forwarded to the head of the institution concerned direct from the audit section
- (v) Newspaper clippings for local verification as ordered by the Accountant General (Audit)
- (vi) Necessary reference books, Acts, Manuals, etc.

### 3.14 Distribution of work among the members of the party.

The Supervising Officer should distribute the work between the Asst. Audit 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 (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,

**3.15** 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.

**3.16** 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.

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 of the party.

**3.17 (a) Entry Meeting.**

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.

**3.18 Attendance Register:**

The Asst. Audit 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.

**3.19 Availing of holidays**

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.

**3.20 (a) Extension of period of local audit.**

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 (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, (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.

- ii) Approved tour programme should not be deviated without prior approval of HQrs Section.

### **3.21 Grant of casual leave and restricted holidays.**

(1) Casual leave or restricted holidays should normally be availed of by members of inspection parties only after obtaining sanction. If any change of programme or alternative arrangement is necessary by granting such leave to inspecting AAOs the orders of Group Officer should be obtained. The casual leave register is to be maintained in (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.

The following instructions should also be noted for strict compliance:-

- 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
- ii) In emergent cases, where absence without prior sanction becomes inevitable, permission of supervisory officer/AAO 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 Authorised Medical Officer.

**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.

- iii) While recommending leave to an auditor / Sr. Auditor or applying for leave by an AAO, 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.

**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. (HQ) I or AAO/ (HQ) as the case may be.

### **3.22 Submission of weekly diaries:**

The diary indicating the details of work done each day by each member of the local audit parties should be maintained in (**Form No. XIV**) The AAO 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.

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 AAO. Unattested entries will not be accepted and the person concerned will be treated as absent on these days.

Extracts of the diary should be sent by the Inspection Parties to (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 (HQrs) and submitted to the Group Officer.

**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.

(CAG's Lr. No. 173-O&M/12-75/1/ dated 24-9-1975.)

### **3.23 Submission of charge reports :**

- i) The reports of handing over of charge of AAOs 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 (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 (HQrs).
- ii) The AAO 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 should inter alia indicate the following:
  1. State of work showing the extent to which the inspection has been carried out in the institution.
  2. Particulars of files etc, received from (HQ) section
  3. List of confidential files handed over.
  4. List of other files and registers.
  5. List of books (Codes, Manual etc)
  6. List of sec ret books
  7. File containing directions from Headquarters Sections (Vide Para 2.05)
  8. Balance of permanent advance with vouchers
  9. Balance postage stamps with stamp account.

### **3.24 Objections and Audit Query statements**

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 AAOs will be judged by number of final paragraphs and not by the number of objections slips issued.

**3.25** 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.

**3.26** 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.

**3.27 Issue of audit query statements:**

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.

The Inspecting AAO 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.



The query statement should be issued as soon as it is written up and not in lump towards the close of 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.

The Audit Enquiries should be serially numbered and dated and should be indexed in the AE Docket in the following Proforma:

**LIST OF AUDIT ENQUIRIES ISSUED**

AE No /Date	Subject	Dated Acknowledgement	Date of receipt of reply
1	2	3	4

**3.28** 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 in a separate note along with the draft inspection report and test audit notes. The Group Officer will report the matter to the Secretary to Government of the Department concerned and the Secretary to Government, Finance Department if he considers necessary.

### **3.29 Audit evidence:**

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

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.

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

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.

(Auth: Para 3.5.1 to 3.5.5 of Auditing Standards of INTOSAI)

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.

**3.30** 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.

**3.31** 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.

**3.32** 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.

**3.33** 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.

**3.34** 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.

**3.35 Departmental Inspection Reports and their utilisation**

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.

### **3.36 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 error 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 (analysed 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. Resources 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 audit.

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.

(Auth: INTOSAI – Guidelines for Internal Control Standards for Public Sector)

Auditors should report deficiencies in internal control specially those of the following nature:

- Absence of appropriate segregation of duties consistent with appropriate control objectives
- Absence of appropriate reviews and approvals of transactions, accounting entries or systems output.
- Inadequate provisions for safeguarding of assets.
- Evidence of failure to safeguard assets from loss, damage or misappropriation.

- 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.
- Evidence of intentional override of internal control by those in authority to the detriment of the overall objectives of the system.
- Evidence of failure to perform tasks that are part of internal control, such as reconciliation not prepared or not timely prepared.
- Absence of sufficient level of control consciousness within the organization.
- 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
- Failure to follow up and correct previously identified deficiencies in internal control.

(Auth: Para 10.1 of the Auditing Standards)

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.

Auditors are required to report whether satisfactory action was taken or not, on the audit reports.

(Auth: Para 10.4 of the Auditing Standards)

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.

**3.37 Settlement of previous inspection reports:**

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 in the covering note forwarding the inspection report over his initials.

**3.38** It should be seen that defects reported in previous inspection reports and objection statements have 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.

**3.39** (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 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.

**3.40** The Inspecting Officer will return the reports to (HQrs) Section with a verification note (**Form IX**) indicating the action taken on the outstanding paras in the report along with the current inspection report and a statement in **Form A** shown below:



**Form A**

- 1) Name of office inspected:
- 2) Name of Section in Central Office which attends:  
to the inspection reports of the institution

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	

In respect of each outstanding paras the parties/ Inspecting Officers should indicate  
The development of the case since last audit

- (i) 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.
- (ii) 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.

The (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 and a review indicating the number of reports closed and the number of paragraphs settled during local audit

**3.41** On receipt of the statement from the parties, (HQ) Section should send the list to the Branch Officer of the Section concerned for further action

**3.42** If the objections cannot be settled locally, the Supervising Officer/AAO 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 (HQ) Section can take up the matter at appropriate level.

## **DEMARCATIION OF DUTIES FOR PERSONNEL IN INSPECTION PARTIES**

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.

### **1. LOCAL AUDIT OF CIVIL OFFICES**

#### **A. Audit Officers**

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.

#### **B. Section Officer / Asst. Audit Officer**

- (i) Audit of the accounts of receipts;
- (ii) Audit of the accounts of stores;
- (iii) Examination of the cash book;
- (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.
- (v) Audit of all vouchers not submitted to central audit;
- (vi) Verification of drawals and deposits into treasury with reference to treasury records.
- (vii) Examination of the special points marked for special investigation by central audit.
- (viii) Audit of works expenditure;
- (ix) Accounts of stores, equipments etc. received under various foreign aid

programme;

- (x) Departmental inspection reports

**C. Senior of the two auditors:**

- i. Examination of service books, service rolls broadsheets and ledgers in respect of PF accounts of Gr. D staff etc.
- 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;
- iii. Check of disposal of previous inspection reports;
- iv. Check of disposal of previous inspection reports;
- v. Audit of expenditure by State Government in connection with large gatherings of political organisations;
- vi. Establishment pay bills;
- vii. Travelling allowance bills;
- viii. Register of undisbursed pay and allowances;
- ix. Register of advances;

Property accounts i.e. immovable property accounts like land, buildings and other assets.

**D. Junior of the two auditors:**

Dead-stock register;

- (i) Register of empties;
- (ii) Stamp account;
- (iii) Register of deposits;

Log books and diaries of Government vehicles;

**ANNEXURE-I to CHAPTER-3**

**(See Para 3.14)**

**Duty list/distribution of work**

Name of the Institution :

Period of Audit :

Dates of Audit :

<b>Sr. Audit Officer</b>	<b>Assistant Audit Officer</b>	<b>Auditor</b>
Item to be checked:	Item to be checked:	Item to be checked:
<i>Noted Please</i>	<i>Noted Please</i>	<i>Noted Please</i>
<i>Completed Please</i>	<i>Completed Please</i>	<i>Completed Please</i>

**ANNEXURE-II To CHAPTER-3****(See para 3.36)**

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	
<b>i)</b>	The budget of the Organization is prepared with due diligence and care?
<b>ii)</b>	Expenditure conforms to the budget?
<b>iii)</b>	There was excess / savings?
<b>iv)</b>	Excess/savings persistent?
<b>v)</b>	Allotment is as per requirement?
<b>vi)</b>	Allotment is received in time to enable fruitful expenditure?
<b>vii)</b>	There was rush of expenditure in March?

<b>Expenditure Control</b>	
Whether	
<b>i)</b>	The cash book is standard one with machine numbered pages?
<b>ii)</b>	Transactions are recorded in the cash book as and when they occur?
<b>iii)</b>	There is a system of daily closing of cash book?
<b>iv)</b>	The head of office verifies cash balance periodically?
<b>v)</b>	The custodian of money is the writer of cash book?
<b>vi)</b>	System of reconciliation is effective?
<b>vii)</b>	Recoveries to be remitted to other heads are remitted in time?
<b>viii)</b>	Advances are adjusted in time?
<b>ix)</b>	More than one advance for the same purpose is pending adjustment against same officer?
<b>x)</b>	Money is kept in the office in any form for long periods?
<b>xi)</b>	There is unnecessary drawing of funds?
<b>xii)</b>	Purchases are made as per approved rules and procedures?
<b>xiii)</b>	Purchases are as per requirements?
<b>xiv)</b>	Rules regarding approval of estimates/acceptance of tenders/issuing purchase orders etc. strictly followed?
<b>xv)</b>	System of stock taking, custody and issue of store are as per rules?
<b>xvi)</b>	Stores ledger and accounts are properly kept?
<b>xvii)</b>	Assets are safeguarded against fraud/error?
<b>xviii)</b>	Physical balance and book balance are compared and tallied?

<b>Operational Control</b>	
Whether	
<b>i)</b>	There is delegation of powers and division of responsibilities and they are documented and followed?
<b>ii)</b>	There is proper system to watch the receipt processing and disposal of correspondence?
<b>iii)</b>	The arrears in the disposal of correspondence is brought to the notice of the Head of Office at fixed intervals?
<b>iv)</b>	The system of opening new files, their movement and upkeep is satisfactory?
<b>v)</b>	Implementation of schemes/projects are monitored satisfactorily?
<b>vi)</b>	The registers/records etc. to be maintained are prescribed?
<b>vii)</b>	Various registers/records are kept up to date?
<b>viii)</b>	Returns/reports due from lower formation are received in time?
<b>ix)</b>	They are compiled and analyzed and used as monitoring tools?
<b>x)</b>	Returns due to controlling officers are sent in time?
<b>xi)</b>	Such returns conform to the actual performance of the Organization?
<b>Inspections/Conferences</b>	
Whether	
<b>i)</b>	The office is inspected at prescribed intervals by the controlling officers?
<b>ii)</b>	The lapses pointed out are rectified in time?
<b>iii)</b>	Lower formations are inspected by the office as prescribed?
<b>iv)</b>	The lapses pointed out are followed up to the logical conclusions?
<b>v)</b>	Decisions of conferences/meetings are minuted?
<b>vi)</b>	The decisions are implemented in time?

<b>Computerization</b>	
Whether	
<b>i)</b>	The organization has a policy of computerization?
<b>ii)</b>	The policy conforms to the objectives of the Organization?
<b>iii)</b>	The requirement of hardware/software are properly assessed and documented?
<b>iv)</b>	Purchases of hardware/software are as per requirement?
<b>v)</b>	Trained personnel are available?
<b>vi)</b>	The systems are installed and put to use?
<b>vii)</b>	The systems are properly safeguarded against fraud/error?
<b>viii)</b>	The proper controls have been defined and put in place?
<b>ix)</b>	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	
<b>i)</b>	Proposals for financial assistances from lower formations/other client organizations to Government are routed through the Directorate?
<b>ii)</b>	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?
<b>iii)</b>	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?
<b>iv)</b>	The terms and conditions regarding utilization, rate of interest and repayment are fixed before the disbursement of loan/ subsidy, etc.?
<b>v)</b>	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** .....

**CHAPTER – 4****PRINCIPLES AND PROGRESS OF AUDIT**

**4.01** 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.

The special rules and instructions applicable to the accounts of certain offices or institutions are given separately in Chapter-13. 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.

**4.02 Receipts:**

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:

- (a) Adequate regulations and procedure have been framed to secure an effective check on the assessment, collection and proper allocation of revenue ;
- (b) Such regulations and procedure are being observed;
- (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;
- (d) A register of all recurring and non-recurring demands is kept in accordance with the rules, and collections watched against it;
- (e) Arrangements for collection are satisfactory and there are no outstandings requiring special notice.
- (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;
- (g) Moneys received are brought to account immediately and ordinarily there is no undue delay in their remittance into treasury;
  - (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
  - (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.

#### **4.03 Audit of Demand Register**

- (i) The demand Register should be examined to see that :
  - (a) All demands have been correctly noted in the register;
  - (b) All sums due are received and checked against demands, and  
The demands are realised punctually and fully.
- (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.

#### **4.04 Audit of Receipt Books:**

The stock account of duplicate carbon or counterfoil receipt books should be examined to see that:

- (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;
- (b) Only one book is issued to an individual officer on return of the previous used up book;

- (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;
- (d) The issue of a receipt book and the return of a used up book are duly acknowledged;
- (e) As for cancelled receipt forms both the original and the duplicate are retained in the receipt book; and
- (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.

#### **4.05 Audit of Expenditure.**

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:

It should be seen that:

- (a) There is proper sanction, either special or general, accorded by competent authority authorising the expenditure;
- (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;
- (c) The charges incurred do not exceed any rate or scale fixed under the rules or orders issued by competent authority;
- (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.
- (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 )
- (f) Entries in the local accounts are properly vouched;
- (g) The acquittances of menials for whom pay has been drawn on contingent bills, have been duly taken in the office acquittance rolls;

## *Manual of Outside Audit Department*

- (h) The entries of payments in the local accounts have been initialled by the disbursing officer after examination;
- (i) All materials and stores billed for, have been brought on to the respective inventories;
- (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;
- (k) Contract agreements for the supply have been executed;
- (l) The quality and quantity of stores have been certified as correct before payment;
- (m) The rates paid are not in excess of the accepted market rates;
- (n) Suitable notes regarding payment have been recorded against the original indents and the invoices concerned to prevent double payment;
- (o) On the sub-vouchers, dates of payment are recorded;
- (p) The details when added up tally with the totals;
- (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
- (r) Expenditure has not been incurred with a view to preventing the lapse of budget allotment, or charges incurred in one year have not been met from the budget allotment of the next year;
- (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
- (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.

### **4.06 Audit of establishment vouchers**

- (i) 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) 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.

#### **4.07 Audit of Contingent Vouchers:**

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) It should be seen, in addition to the points mentioned in the above paragraphs that
  - (a) The sub-vouchers contain pay orders signed by competent authority and they are supported by payee's acknowledgement with date of payments;
  - (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.
  - (c) The totals are noted in words as well as in figures;
  - (d) Any alterations in the figures have been attested by the officer authorising payment;
  - (e) Revenue stamps have been affixed to the payees' receipts in all vouchers for sums over Rs.5000/- and the stamps have been defaced.
- (ii) 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: -
  - (a) Heavy payments made to firms in cash instead of by cheque or bills endorsed in favour of the firms
  - (b) Fraudulent withdrawals by altering the amount shown in the vouchers;
  - (c) Purchases in excess of financial powers;
  - (d) Presentation of duplicate claims.

(C&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 –

- (iii) 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.
2. Where amounts are drawn on abstract contingent bills the drawing officers should continue to send detailed contingent bills in their present form to directorates officers. The Local Audit Party of the AG (Audit) will conduct a test check of the supporting vouchers at the time of the local audit of the offices concerned.

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 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 Director of Account, 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.

(CAG's Office Lr.No. 620-Audit.II/172-83 Cir.No. 15-Aud.II/1985) dated 14-5-1985

#### **4.08 Audit of Abstract Contingent Bills**

The following instructions based on CAG's guidelines regarding local audit of Abstract Contingent bills should be followed by the Local Audit Parties:

1. Sub-vouchers below Rs.500/- kept in local offices should be put to normal audit checks to see whether
  - (a) The amount drawn was required for immediate utilisation.



- (b) The amount was adjusted within the stipulated period of 60 days from the date of drawal.
  - (c) The vouchers were chronologically and systematically maintained to prevent double drawal.
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.
  3. The OA/CA 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 & E) directly. Non-adjustment of Abstract Contingent bill should be commented in the inspection reports

#### **4.09 Audit of Contingent Register:**

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 :

- (a) Each entry is initialled by the drawing officer;
- (b) They are correctly entered in the columns which show as heading the classification under which the expenditure falls;
- (c) The total of the sub-vouchers agrees with the total of the contingent bills drawn;
- (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;

The total of the bills drawn in the Contingent Register are also checked

#### **4.10 Audit of Travelling Allowance Bills:**

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.

(Please also see Para 3.2.15 of MSO (Audit ) Second Edition-2002 )

**4.11 Audit of vouchers relating to overtime allowance:**

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.

(CAG's Office Lr. No. 1142/TA I/140-82 dated 14-9-1982)

**4.12 Check of permanent advance:**

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.

**4.13 Treasury Bill Book:**

It should be seen that:

- (a) All bills drawn and presented are entered in the register;
- (b) Entries in columns 1 to 6 and 12 to 13 have been attested by the Head of the Office inspected,
- (c) The date and amount of payment have been attested by the Treasury Officer;
- (d) There are no erasures, over-writings, etc. in the registers; and
- (e) The cash received has been taken correctly to the cash book.

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.

**4.14 Stamp Account:**

It should be seen that:

- (a) The account has been maintained properly bringing into account all receipts and issues;
- (b) The physical balance has been verified periodically and agreed with the book balance;

The postage stamps have been issued for official purpose only; and

**4.15 Cash Accounts:**

- (i) 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.
  
- (ii) The cash books should be examined to see that:
  - (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;
  - (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;
  - (c) All payments are supported by proper vouchers, acquittance rolls etc. which are complete in all respects;
  - (d) The totals are correct and the balance correctly worked out;
  - (e) Private cash is not mixed with the cash balance of Government;
  - (f) The cash book is closed and balanced on the prescribed dates;
  - (g) There are no erasures or interpolations and errors are rectified properly;
  - (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;
  - (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;
  - (j) The expenditure shown in the permanent advance column, justifies the full amount of the permanent advance;
  - (k) Expenditure has not been incurred in excess of the permanent advance by spending from the departmental receipts, except when specifically authorised;

- (l) The local audit Party auditing the accounts of the Dt. Supdt of Police should test check the 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
- (iii) 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.
- (iv) 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.
- (v) 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.
- (vi) All irregularities relating to the accounting of cash whether technical or material should be mentioned invariably in Part II of the Inspection Report.
- (vii) In cases where the cash book is maintained properly and the rules observed correctly, the Supervising Officer/AAO of the OAD Party should mention the fact specifically in the letter forwarding the inspection report.

#### **4.16 Cash verification:**

The supervising officer or when the party is unsupervised, the AAO 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
  - Misappropriation i.e. unexplained shortage of cash
  - Unadjusted advances given from un-disbursed cash or
  - Unadjusted voucher specifying disbursements on account of item for which there are no allotment or sanction.
- (f) Cases of retention of heavy cash balances.

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 up to 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) 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).

#### **4.17 Accounting of Non-Government Money:**

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 Goa Treasury are observed.

#### **4.18 Audit of Property Account :**

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.

#### **4.19 Stores and Stock Accounts:**

- (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)
- (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) (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 (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.
- (v) (a) The Supervising Officers and the AAO 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. Whether conversion of money to materials has been done merely to prevent surrender of the grants  
(b) 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

(c) 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.

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.

(CAG's Gen. Cir. No. 1204 - 84 (s) /76-82/11 dated 30-7-1982).

#### **4.20 Purchase of stores:**

The accounts relating to acquisition of stores should be examined with a view to ensuring:-

- (i) That a reasonable estimate has been prepared regarding the requirements for the year;
- (ii) That the annual indent has been prepared.
- (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;
- (iv) That sufficient funds have been provided and the expenditure has been properly sanctioned;
- (v) That purchases have been made by tender system duly observing price preferences;
- (vi) That the quotations/tender notices are in the prescribed form;
- (vii) That sufficient time is allowed to tenderers to submit their tenders;
- (viii) That a time has been fixed for firmness of offers;
- (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 writing.
- (x) That the prescribed EMD has been collected unless exempted under Article 132 of Financial Code, Volume I. (In the case of running contracts collection of EMD is compulsory);
- (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;
- (xii) That terms of supply have been fulfilled by the supplier in all respects;

## *Manual of Outside Audit Department*

- (xiii) That the rates paid agree with those shown in the contracts/agreements;
- (xiv) That certificates of quality and quantity are furnished by the government servants who receive the stores before payment is made;
- (xv) That purchase orders have not been split up in order to avoid sanction of higher competent authorities;
- (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;
- (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;
- (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;
- (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.

(CAG's Endt. No. 2434 Admn.I/628-54 dated 18-12-1954)

### **4.21 Custody and issue/disposal of stores:**

It should be examined:

- (i) Whether the permissible limit for the value of stock in hand has been exceeded at any time without justifiable reasons;
- (ii) Whether the departmental regulations provide adequate arrangements for the safe custody and controlled issue of stores;
- (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.



- (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;
- (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. ;
- (vi) Whether the issues of articles for direct consumption on works or manufacture are regulated in accordance with the scales prescribed by competent authority;
- (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;
- (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.
- (ix) Whether amounts shown against depreciation, shortages, etc. when written off, give a break-up of the figures under :
  - (a) Depreciation
  - (b) Shortages
  - (c) Losses

and indicate :

- The period to which the shortages or losses relate;
  - 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.
- (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.

#### **4.22 Audit of contracts and agreements**

The responsibility for the conclusion of contracts for works to be done and supplies to be made and for enforcing them rests with the Executive. However, scrutiny of these contracts or agreements entered into by government servants on behalf of Government constitutes one of the important functions of audit.; The loss or wastage of public money and also to ensure that the rules and regulations provide reasonable security against malpractices.

##### **General Principles governing audit of contracts**

The union Government has laid down the following fundamental principles for the guidance of authorities authorised to enter into contracts or agreements involving expenditure from the Consolidated Fund of India.

- i) The terms of a contract must be precise and definite, and there must be no room therein for ambiguity or misconstruction.
- ii) Standard forms of contracts should be adopted wherever possible, the terms being subjected to adequate prior scrutiny.
- iii) As far as possible legal and financial advice should be taken in the drafting of contracts before they are financial entered into.
- iv) No contract involving an uncertain or indefinite liability or any condition of an unusual of character should be entered into without the prior consent of the competent financial authority.
- v) Similarly, terms of a contract once entered into should not be materially varied without the prior consent of the competent financial authority.
- vi) Contracts should invariably be placed only after inviting open tenders and the lowest tender accepted. In cases where it is not considered practicable to invite open tenders or to accept the lowest tender, the reasons for the deviations should be recorded.
- vii) In selecting the tender to be accepted, the financial status of the tendering individuals and firms must be taken into consideration, in addition to all other relevant factors.
- viii) Even in cases where a formal written contract is not entered into, no order for supplies should be placed without at least a written agreement in regard to price.

- ix) Provision must be made in contracts for safeguarding government property entrusted to contractors.
- x) When a contract is likely to endure for a period of more than five years, it should include, wherever feasible, a provision for its unconditional revocation or cancellation by Government at any time after the expiry of six months' notice to that effect.

Though these guiding principles are primarily in the nature of financial rules, they are nevertheless of relevance from the audit perspectives as well.

Deviations from contracts require authority not inferior to that required for the conclusion of the original contract. Audit should also see that any payments outside the strict terms of the contract or in excess of the contracted rates are not made without the consent of the competent financial authority.

Regarding the procedure of audit of Measurement Books, Muster Rolls, Works Accounts, the Manual of Public Work Inspection may be referred to.

#### **4.23 Security Deposits:**

It should be seen that:

- (a) Security is taken as required under rules from persons entrusted with the custody of cash or stores ;
- (b) Security deposits are covered by a proper bond or agreement setting forth the conditions under which the security is held ;
- (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;
- (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;
- (e) The register as well as the securities are examined at least once a year by a responsible officer of the department.
- (f) Either the securities or the acknowledgements of their authorised custodians (vide Government securities Manual) are produced for inspection;

- (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.

#### **4.24 Acquittance Rolls of establishments**

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

#### **4.25 Check of log books, etc. relating to Government vehicles including staff cars and station wagons.**

- i) A list of staff cars, lorries, jeeps, etc. in use in the office inspected should be called for and it should be ascertained whether 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 :
- (a) They are maintained in accordance with the rules prescribed.
  - (b) Effective control is exercised over the use of the vehicles and the consumption of petrol/diesel.
  - (c) The vehicles are used only under proper sanction and for authorised purposes;
  - (d) Recoveries are correctly and promptly effected in cases where the vehicles are used for non-official purposes.
  - (e) Entries regarding the distance between the places travelled are correct; and
  - (f) The entries in the log book agree with tour diaries, if any, submitted by the officer.

**NOTE :** The Staff Car Rules issued by the Government of India may be referred to for guidance.

#### **4.26 Proforma Accounts :**

- 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 (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 (HQrs) Section. (HQrs) Sections 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.

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 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.

- 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 :
  - (a) The figures appearing in the proforma accounts tally with the figures booked in the office of the Directorate of Accounts under various heads.
  - (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.

- (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.

The above instruction apply mutatis mutandis to the audit of self contained account of receipts and expenditure and cost account.

#### **4.27 Audit of centrally assisted / sponsored schemes.**

The local audit and central audit parties should be instructed to indicate in the Inspection reports, details of the scheme, the drawing officers and classification in respect of the amounts held under objection in the course of their audit. The local audit parties should also be advised to collect, in the course of their audit of the sanctioning authorities, relevant information in regard to utilisation certificates not furnished.

While certifying the expenditure objections of a routine nature such as non-availability of some vouchers, absence of budget allotment, non-availability of sanction, etc, which would not affect the Central assistance may be ignored. It should, however, be borne in mind that:

- i. The amounts drawn in abstract bills for which detailed bills have not been submitted should be excluded,
- ii. Any item of expenditure found to be clearly ineligible for Central assistance with reference to the terms or the instructions of the Government of India governing such assistance should not be included and if the amount involved cannot be precisely determined, the certificate should be qualified accordingly,
- iii. Any point of doubt in regard to eligibility for Central assistance should be got clarified from the administrative ministry concerned, and
- iv. The certificate should be qualified that it has been issued without prejudice to the right of the Comptroller and Auditor General to include in the Audit Report any comments arising out of the audit in regard to utilisation of Central assistance by State Governments.

The Local Audit Party from CASS Section are to audit the accounts of the centrally assisted/sponsored schemes and submit the inspection report to the CASS section.

#### **4.28 Audit of deposit repayment vouchers.**

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.

Supervising Officer or in his absence, the senior Asst. Audit Officer should ensure that the special report is sent to (Hqrs).

#### **4.29 Dealing with Fraud and Corruption**

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.

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.

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.

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.

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.

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.

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.

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.

The auditor may rely on the following sources for evidence:

- Originals or photocopies of documents from the auditee.
- Internal Audit Report
- 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 for further action.

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

## CHAPTER 5

### VERIFICATION OF SERVICE BOOKS, LEAVE ACCOUNTS AND INCREMENTS

**5.01** 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.

**5.02 Quantum of check.**

The service books of the members of staff in an office should be checked to the extent prescribed below:

<u>Periodicity of audit</u>	<u>Quantum of check to be done.</u>
<u>Annual</u>	<u>25 percent</u>
<u>Biennial</u>	<u>50 percent</u>
<u>Triennial, quardrennial and quinquennial</u>	<u>100 percent</u>

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.

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 :

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.
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.

A separate note containing the following details of verification should be furnished by the Local Audit party along with the Inspection Report :

- (i) Total number of service books maintained in the office.
- (ii) Number of service books selected for scrutiny according to quantum fixed.
- (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).
- (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.

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.

**5.03** 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 (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.

(CAG's Lr. No. 32 Admn.II/349-61 dated 4-1-1963.

#### **5.04 Check of Service Books and Leave Accounts**

While checking the service books it should be seen that

- (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.
- (ii) Entries of all events in the official career of a Government Servant are made in his Service Book and attested by competent authority.
- (iii) The service books contain certificate of annual verification of service with reference to Acquittance Rolls etc.
- (iv) No alteration of the date of birth is made without sanction of the competent authority.
- (v) The entries in the first page are re-attested every five years
- (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.
- (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.

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.

#### **5.05 Audit enfacement.**

The service books checked during local audit should bear an audit enfacement in the following form duly signed by the supervising officer/ AAO in charge of the Audit Party. The signature should be dated.

"Checked during the local audit / inspection and found in order ".

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.

**5.06 Check of retention in service beyond the date of superannuation.**

All local Audit Parties should ensure during local audit that the checks are carefully complied with by the Heads of Offices. 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.

**5.07 Personal claims of State Government Officers**

At the time of local audit at each Office the Supervising Officer/ AAO 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.

**5.08 Issue of audit enquiry regarding recovery of excess payments etc.**

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 Goa. 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.

## CHAPTER 6

### AUDIT OF LOANS

**6.01** The financial rules and orders issued by Government prescribe the authority which should maintain detailed accounts of loans and watch recoveries and payment of interest. In cases where the Directorate of Accounts maintain such detailed accounts, subsidiary loan registers are also maintained by them for advising the loanees about the instalments of principal and interest falling due periodically and for watching their remittance. After departmentalisation of accounts, the Pay and Accounts Officers also maintain similar subsidiary registers in respect of loans the detailed accounts of which are maintained by them. These registers contain details, in respect of each loan, of the amount disbursed, the interest accrued from time to time, the instalments of principal and interest paid by the beneficiaries and the balances outstanding. The Director of Accounts and Pay and Accounts Officers also maintain suitable broadsheets in respect of loans accounted for in their books. Other departmental officers, who are required to administer loans and maintain the related accounts, also maintain similar subsidiary registers and broadsheets. In the case of loans granted by Government of India to the State Governments, besides maintaining detailed accounts, the Director of Accounts also arrange for payment of the instalments of principal and interest due to the Government of India. This is arranged through the Reserve Bank of India after obtaining the consent of the State Governments wherever necessary.

The registers and the broadsheets maintained by the Pay and Accounts and departmental offices should be reviewed in local audit to verify whether:

- i. Payment, on the due dates, of the instalments of principal and interest by the loanees is properly monitored;
- ii. Penal interest has been levied on overdue instalments;
- iii. Loans paid and repaid and the interest remitted have been properly accounted for;
- iv. Conditions, if any, prescribed by the sanctioning authority have been fulfilled;

any amount paid has been erroneously treated and credited as repayment of the principal when any sum is due on account of unpaid interest; and

- v. Acknowledgments have been obtained periodically from the debtors in respect of outstanding balances.

**Note:** In cases where the Public Works Department incurs expenditure on works executed under special orders and such expenditure is treated as a loan, the amounts debit to several loan accounts will appear in the monthly accounts of the divisional offices and these would be deemed to have been advanced on the last day of the month in which the expenditure appeared in the divisional accounts.

### 6.02 Scope of audit :

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.

### 6.03 Accounts Records:

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.

The more important accounts records are given below :

- i) Application for loans and enquiry reports.
- ii) Valuation reports of properties offered as security.
- iii) Loan orders ( Sanctions )
- iv) Payment vouchers with acknowledgment of loanees.
- v) Security bonds.
- vi) Periodical progress reports to higher authorities.
- vii) Loan ledgers and subsidiary registers, if any.
- viii) Control Register.

**6.04 Process of audit**

It should be seen that --

1. The application are in proper form and contain all the required details essential for the sanction of loans.
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.
3. The loan order is within the amount admissible under the rules and within the power of the sanctioning authority.
4. The amounts sanctioned are according to the immediate requirements.
5. The amounts are drawn and disbursed only up to the required extent and not with a view to avoid lapsing of funds.
6. The receipt and disbursement of money are promptly and properly recorded in the cash book.
7. the security bond is kept in safe custody
8. The fact of payment is clearly recorded and acknowledgement obtained from the loanees.
9. When the loan amount is disbursed in instalments, the conditions stipulated for the release of each instalment are satisfied.
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.
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;
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.
13. The periodical returns prescribed have been prepared and sent on the due dates to the authorities concerned.
14. The demand, collection and balance statement shows the position correctly on any fixed date;



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;
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

**6.05 Loans under the Low Income Group Housing Scheme and Middle Income Group Housing Scheme.**

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.

**6.06 Inspection Report :**

The results of audit should be incorporated in the Inspection Report of the office, the expenditure of which is locally audited.

**6.07 Material to be collect for the Audit Report**

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.

**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,

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 (HQ)rs. The special reports will be edited by CASS.(HQ)rs and forwarded to Report Section for further action.

## **CHAPTER 7**

### **AUDIT OF AUTONOMOUS BODIES**

**7.01** 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&AG's (Duties, Powers and Conditions of Service) Act, 1971 and is supplemental to those contained in the C&AG's Manual of Standing Orders (Audit). The instructions in the manual are not exhaustive and have to be supplemented in the field with reference to the nature of the organisations and transactions of different autonomous bodies.

Social Sectors 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&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&AG, from OA Headquarters and OA Central, their consolidation and despatch. The audit of institutions under Section 15 is arranged by Social Sectors (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 Headquarters/ as the case may be and action on the results of audit is taken up by these sections.

**7.02** The audit and certification of Autonomous Bodies under the State Government is entrusted with all Section in the Branch Office of the Accountant General Goa. The work is a specialized one and undergoes many stages before the final audit report is issued.

**7.03** 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 Social Sectors/Economic Sector I/Economic Sector II/General Sector.

**Social Sector:**

1. Goa University, Taleigao, Section 19(3)
2. Goa Housing Board, Porvorim Section 19(3)
3. Goa State Commission for Backward Classes, Panaji Section 19(3)
4. Goa Board of Secondary and Higher Secondary Education Section 20(1)
5. North Goa Zilla Panchayat, Panaji, Section 20(1)
6. South Goa Zilla Panchayat, Margao. Section 20(1)
7. Goa Sarva Shiksha Abhiyan, Section 20(1)

**Economic Sector I:**

1. Khadi Village Industries Board Section 19(3)

**Economic Sector II:**

1. Goa Tillari Irrigation Development Corporation, Section 19(3)

**General Sector:**

1. Goa State Legal Service Authority, Panaji, Section 19(2)
2. North Goa District Legal Service Authority, Panaji Section 19(2)
3. South Goa District Legal Service Authority, Panaji. Section 19(2)

**7.04 Entrustment of audit**

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&AG's DPC Act. Action in this regard is to be initiated by the Headquarters at Main Office sectors will address the Govt/Body and the CAG on this matter. When the concurrence is received, the fact will be intimated to the (HQrs).

### **7.05 Time frame**

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. .

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)

1. Availability of accounts	By 30 <sup>th</sup> June
Completion of audit	By 31 <sup>st</sup> August
Draft SAR to Chief Executive for reply.	By 15 <sup>th</sup> September
(Only two weeks time for receipt of replies from the autonomous body i.e. up to 30 <sup>th</sup> September ).	
Draft SAR to C&AG whether reply of autonomous body is received or not	By 7 <sup>th</sup> October
(If reply received, with aide-memoir).	
Approved SAR will be sent by HQrs within two weeks from the receipt from field office.	By 21 <sup>st</sup> October
Final SAR in English version with Audit Certificate to be issued to the Autonomous body	By 31 <sup>st</sup> October
Hindi version of final SAR where this is done by AG/PDA themselves.	By 15 <sup>th</sup> November
Copy of SAR with Audit Certificate as issued to the Autonomous Body should be endorsed to HQrs. simultaneously.	By 31 <sup>st</sup> October

This again has been reiterated as per Circular letter of Hqrs No.1-Rep(AB)/171-2005 dated 3-1-2006.

### **7.06 Checking of accounts received**

On receipt of the accounts in (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.

1. Balance sheet- duly authenticated
2. Income and expenditure account duly authenticated
3. Receipt and Payment account duly authenticated
4. Schedules supporting the figures in Balance Sheet.
5. Significant Accounting policies.
6. Notes on Accounts.
7. Minutes of the Meeting of the Authority /Body approving the annual accounts.
8. The accounts should not bear the seal and signature of the Chartered Accountant who prepared the accounts.

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.

#### **7.07 Arrangement of audit.**

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.

The Parties and Supervising officer should be directed to report to (HQ) 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.

#### **7.08 Audit and certification**

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.

**7.09 Audit procedure**

(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

(a) 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.

(b) It is necessary to examine whether appropriate and adequate systems and procedures are in place for:

1. Proper accounting of receipts, expenditure and assets;
2. Monitoring of unrealized revenues and un-discharged liabilities;
3. General control over expenditure;
4. Sanctions to expenditure, remission of revenues and transfer/ disposal of assets;
5. Safe custody of cash, stores and other assets; and
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.
- (c) 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 commented in SARs.
5. **Fund Accounts:** 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.

6. **Depreciation and Capital assets:** 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;

“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”.

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.

7. **Accounting of transactions on accrual/cash basis and exhibition in Balance Sheet:** 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.

8. **Cross checking of accounts with schedules:** 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.
9. **Bank reconciliation:** 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.
10. **Revision of Accounts:** 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.
11. **Register of Assets:** 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-availability of such certificates is commented upon in SAR.
12. **Concise and brief comments:** 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.

13. **Unspent Grants:** 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.
14. **Realization of income due to the organization:** 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.
15. **Completeness in Accounts:** 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 & 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.
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.

(Auth:HQrs.lr.No.111-Rep(AB)/49-99 dated 31-5-99)

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.

(Authority : Para 4 of HQrs.lr.No.77-Rep(AB)/63-2004 dt:5.4.2004)

#### **7.10 Internal Control System of Autonomous bodies**

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&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 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.

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:

- Policies and procedures
- Scope and independence of internal audit
- Receipt and disbursement of cash
- Mixing of funds (Plan/Non plan)
- Purchase/custody of investments/securities
- Accounting and receipt of interest on investments/securities
- Fixed assets/vulnerable assets
- Disbursements/payables
- Payrolls/Loans and advances to the individuals
- Bank balances/Bank reconciliation
- Manpower analysis

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.

(Auth: No.77-Rep(AB)/63-2004 dated : 5-4-2004 of HQrs. Office)

### **7.11 Format of Separate Audit Report**

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.

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.

### **Introduction**

#### **1. Comments on Accounts**

##### **2. Balance Sheet**

**2.1 Liabilities:** Deficiencies noticed against various head may be commented in short sub-paras.

**2.2 Assets:** Deficiencies noticed against various heads may be commented in short sub-paras.

##### **3. Income and Expenditure Account**

**3.1 Expenditure:** Deficiencies noticed against various head may be commented in short sub-  
paras.

**3.2 Income:** Deficiencies noticed against various heads may be commented in short sub-paras.

##### **3.3 Excess of Income/Expenditure over Expenditure/Income**

#### **4. Receipt and Payment**

##### **4.1 Receipts**

##### **4.2 Payments**

#### **5. General**

### **Accounting Policies and Notes to Accounts**

Brief comments about deficiencies noticed in accounting policies, notes on accounts, suitable disclosures not given on matters concerning accounts may be included.

#### **6. Effect of Audit Comments on Accounts**

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.



7. *Lack of response* (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)

**7.12** The Party and Supervising Officer should report at (HQ) after completion of audit to discuss the draft Audit Report. (HQ) should see the following:

- (1) Whether the report has been drafted as per Style Guide issued by the CAG (**Appendix-III** of this Manual)
- (2) All points relating to accounts have been commented in the Draft SAR
- (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
- (4) Whether audit certificate have been prepared as per guidelines issued by the 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** (a specimen given in Annexure I to this Chapter)
- (5) Whether a Brief Note on Internal Control submitted as required in C&AG's Circular Dated 5-2-2004.
- (6) Whether key linking figures are submitted,
- (7) Working sheet showing net impact of audit comments,
- (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.
- (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.
- (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)

- (11) Statement of working days, leave, transit etc. for calculation of claim for audit fees

The party and officer are be relieved after the above checks are completed.

### **7.13 Editing by section**

- (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
- (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 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 AG along with the Draft SAR.
- i) Note seeking approval of AG 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 (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 (HQrs) and approval by AG, 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. Goa University, Taleigao, Section 19(3)
  2. Khadi Village Industries Board Section 19(3)
  3. Goa Housing Board, Porvorim Section 19(3)
  4. Goa Tillari Irrigation Development Corporation, Section 19(3)
- (f) Draft SARs of the following bodies are not required to be sent to CAG for vetting:
1. Goa State Commission for Backward Classes, Panaji Section 19(3)
  2. Goa Board of Secondary and Higher Secondary Education Section 20(1)
  3. Goa State Legal Service Authority, Panaji Section 20(1)
  4. North Goa District Legal Service Authority, Panaji Section 20(1)
  5. South Goa District Legal Service Authority, Panaji. Section 20(1)
  6. North Goa Zilla Panchayat, Panaji Section 20(1)
  7. South Goa Zilla Panchayat, Margao Section 20(1)
  8. Goa Sarva Shiksha Abhiyan, Section 20(1)
- (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.

**Manual of Outside Audit Department**

- (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

- (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 AG 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) 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 AG as described above. If the draft SAR is not required to be sent to CAG, e.g. DLSAs, GSCBC, GBSHSE, the draft SAR may be issued as final AR with audit certificate by AG.
- (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 Government that the present report will be placed along with the previous report(s) on the Table of the Legislature.
- (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.

#### **7.14 Inspection Reports**

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 (HQ) for watching their clearance.

#### **7.15 Audit Fees**

When the audit is completed and Audit Report/Audit Certificate issued, a demand for audit fees should be raised against the autonomous Body. 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. The statement thus prepared is sent to AG for approval through ITA .When the statements are received back after checking by ITA and approval by AG, 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&E), Mumbai by Demand Draft. Copies of the letter are endorsed to the Sr. Audit Officer (Admn) O/O AG(Audit) and The Pay and Accounts Officer (Audit), O/O AG(A&E).Mumbai.

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.

**ANNEXURE-1**

**Chapter 7.12**

**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:

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**

**Chapter 7.12**

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 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 AG concerned. In the SAR, mention may be made invariably about the issue of a separate management letter to the top

**Manual of Outside Audit Department**

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)**

**Manual of Outside Audit Department**

Director (Exam/AB) To

The .....  
.....

Sir,

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.

- 1.
- 2.
- 3.

**Accountant General**

## CHAPTER 8

### RESULTS OF INSPECTION

#### 8.01 Form of the Inspection Report

The results of local audit by the inspecting staff are communicated through Inspection Reports which should be written up in the following form:

##### **PART I**

1. Introductory
2. Outstanding objections from the previous reports
3. Schedule of persistent irregularities

##### **PART II**

Section A : Major irregularities that are likely to materialise into Draft Paragraph of the Audit Report and those relating to system failure

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.

##### **PART III**

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. (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&AG).

- 8.02** 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 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 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.

### **8.03 Preparation of Inspection Reports**

- (i) As soon as any of the audit query statements issued 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 inspecting AAO where there is no supervision.
- (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 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.

- (iii) Each Supervising Officer/AAO should write out the report himself and not leave it to his subordinates.

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.

( CAG's Office No. 20/715/TAI/106-81 dated 20-6-1981 )

- (iv) In drafting the inspection report the Supervising Officer /AAO 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.

- (v) **Exit meeting / Discussion of Inspection Report with the Head of Office.**

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 the observations proposed to be incorporated in the Inspection Report were discussed with the head of the office and his views taken into consideration while finalising the Inspection Report.

- (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 in charge of the party.

The covering letter enclosing the TAN should include a disclaimer statement as given below :

" The Test Audit Notes have been prepared on the basis of information furnished and made available by the Auditee. The Office of the Accountant General (Audit), Goa disclaims any responsibility for any misinformation and / or non-information on the part of auditee. "

( HQrs. Letter NO. 14-LC/III/2005 dated 20-1-2006

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.

( CAG's No. 2374. Tech. Admn. I/ 367-65 dated 7-8-1965).

- (vii) The Supervising Officer / AAO 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 there for and also the period of extension sought for.

#### **8.04 Method of drawing up the Inspection Report.**

- (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.

(b) Months Selected not to be mentioned in the Inspection Report:

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.

( CAG's Lr. No. 12 Admn. II / 954 dated 6-2-1964 ).

(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:

- (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.

- (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.
- (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.
- (iv) Irregularities in chalans are often the subject of long comments in Test Audit Notes. 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.

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.
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. III**) 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
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 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 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.
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 'outstanding due from Government Officers' give a definite idea and makes one inquisitive about the contents of the paragraph.

In this connection please refer to Para 8.08 regarding performance of audit parties and categorisation of objections

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.
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&AG.
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&AG's guidelines issued in "Style Guide" (**Appendix-III**) may be followed.
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.

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.

( CAG's Lr. No. 2543-TA-I/264-71 dated 16-11-1971



### 8.05 Drafting / vetting of Inspection Report

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 may draft the report exercising the same amount of care and forward the draft Inspection Report with rough notes to (HQrs) for approval by AO (HQrs).

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 a finished product, ripe for issue without any touching up in the Central Office.

### 8.06 Submission of Inspection Report to Headquarters:

- (a) In submitting the draft inspection report to the Headquarters the Inspecting AAO should attach a Title Sheet (**Form No. XI**). The entries in respect of Section I should be filled in by the Inspecting AAO.

The following points should be borne in mind by field Parties while preparing and forwarding Inspection Reports / Test Audit Notes to HQrs.

- (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.
- (ii) Index of irregularities and questionnaire on stores and stock properly filled up, are to be enclosed with the draft inspection reports.
- (iii) When part II of the Inspection Report is Nil, a Nil report is to be furnished;
- (iv) Items of original work done by supervising officer should be indicated against 'remarks of Supervising Officer' in the title sheet.
- (v) 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.

- (vi) 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.
  - (vii) Statement of the details of payments collected from the Treasury and verified with initial records.
  - (viii) The months selected for detailed audit and check of arithmetical accuracy exercised are to be indicated in the title sheet.
  - (ix) 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.
- (b) The Inspecting AAOs 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.
- (c) The report should also be accompanied by
- (i) A certificate under the dated initials of the AAO that the receipt books used 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
  - (ii) That the unused receipt books are under proper custody and have been verified and found correct and
  - (iii) A certificate as precisely as possible about the general state of accounts examined by him.

### 8.07 Examination of the Inspection Report

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.

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.
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.
3. If a para is proposed to be deleted from the Inspection Report by the section, reasons thereof should be indicated in the margin.
4. Objections raised in regard to fixation of pay should be scrutinised with reference to the relevant rules. and the pay revision orders and any other service regulations wherever necessary
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.
6. Objections of similar nature may be grouped together to form a single para.
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.
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 (HQ) with remarks of the Section.

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 separately.
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 Reports' maintained in (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.

Before submission of the report to the AO / DAG for approval, a Scrutiny Note in **Form XVIII** should accompany the Inspection Report and the Section should ensure the following :

The report has been received in complete form and the following enclosures have been received and necessary certificates attached.

- (i) Title Sheet with individual work profile
- (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(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

While scrutinising draft inspection reports the DAG 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. 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 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.

**8.08 (i) Performance of Audit Parties**

The performance of field parties and the quality of inspection report are monitored through a performance register maintained in **(Form-XVI)** at the (HQ) Section

**(ii) Grading of Inspection Reports**

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

**8.09 Forwarding of Inspection Reports:**

(i) It has been decided by the C&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 :

" The Report has been prepared on the basis of information furnished and made available by the auditee(s). The Office of the Accountant General (Audit), Goa, disclaims any responsibility for any misinformation and / or non-information on the part of auditee."

(Headquarters letter No. 14-LC/III-2005/ dated 20-1-2006)

- (ii) 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.

(Lr. No. 2205-Admn.II/608/Admn. I/58 dated 11-9-1959 of CAG of India, )

**(iii) Inspection Report of Raj Bhavan**

The Inspection Report may be sent to the Secretary to Governor of Goa and consider separate independent reference to the Ministry of Home Affairs, if need be, after discussing the aspect with the Secretary to Governor.

**8.10 Issue of Inspection Report**

Inspection Reports are to be issued within one month from the date of completion of the inspection.

The period of one month has to be computed as under :

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
4 working days	For the DAG to approve the report (as there is only one DAG in this office).
6 working days	For typing and issue of report.
Total 24 days	

( 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 )

*Note :* 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.

- 8.11** 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 (CAG's Cir. No. 71-74I/80 issued in 1463 -- 74/1/149 dated 4-12-1980).



### 8.12 Watching of objection arising out of local inspection

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 :

- (i) A separate objection book (**Form –XII**) should be maintained as required in para 7.2.2 of the M.S.O.(Audit)Second Edition-2002 in (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 Objections Book and a certificate to that effect recorded.
- (ii) All objections arising out of local audit which are susceptible of being expressed in money value should be registered in objection books.

The following types of objections need not, however be registered in the Objection Books.

- (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.
- (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.

**Note :** 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 (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.

- (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.
  - (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.
- (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.
- (CAG's Letters No. 2665.Admn/I/365-60 dated 29-8-1960)

**8.13 Time allowed for furnishing replies to Inspection Reports and Test Audit Notes :**

- (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)
- (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.  
The due date for issue of demi-official letters for reporting to administrative department is quarterly. 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.
- (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 DAG 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 Audit 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. The (HQ) 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.
2. 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.

**Manual of Outside Audit Department**

- (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.

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 (HQ) Section concerned should give a report in the following format, to (HQ) 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 (HQ).

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

OA (HQ).....

Dated :.....

Name of Department	Whether the meeting is Secretariat Level or Departmental level	Name of officer attending 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,(HQ)**

(HQ) 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.

**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 Government 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 or the Audit Officer approves the inspection reports. Orders should be passed at this stage whether the paragraphs noted by Inspecting / 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".

(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, 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 the report section who must be able to state the latest facts about the case at any time.

#### **8.15 Cases fit for inclusion in the Reports**

- (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.
- (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.

### **8.16 Inadequacy of financial or accounting rules**

- (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.
- (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 without indicating the causes.

### **8.17 Comments on Store accounts**

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.

(CAG's Lr. No. 268-Rep/80-83 dated 23-9-1993).

### **8.18 Questionnaire on the maintenance of cash and stores:**

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 IV**). The questionnaire duly filled in may be submitted to the Headquarters along with the inspection report.

### **8.19 (a) Guidelines for drafting of paragraphs**

CAG's Office has issued a "Style Guide" for introducing uniformity in the drafting/reporting style of the Audit Reports (**APPENDIX-III**). 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)

The following instructions should also be borne in mind while preparing draft paragraphs for inclusion in the Audit Report:

- (i) The draft paragraphs should not be very lengthy and should not include unnecessary material.
- (ii) They should give all relevant information with dates wherever necessary and lay correct emphasis on the exact points to be brought out.
- (iii) All words and phrases likely to cause resentment or unpleasantness should be avoided.
- (iv) The paragraphs should be worded in a detached and dispassionate language so that, the facts speak more than the comment.
- (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.
- (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.

( CAG's Lr. No. 3724/Rep/385-69 dated 4-12-1960 case AA/54-1/56-60 Vol.VI )

- (vii) The responsibility of the departments concerned for the irregularity should be brought out in the para by including information on the following points :
  - (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.
  - (b) What was the action suggested by the Finance Department?
  - (c) Did the administration follow this advice?
  - (d) If so, did the irregularity or loss take place in spite of following the advice?



- (e) Did the Finance Department take or suggest any action after the irregularity had taken place?

( CAG's Lr. No. 547/Rep/58-61 dated 24-2-1961 Case AA 51-1/60-61)

- (viii) The emphasis should be on quality rather than quantity and on analysis rather than mere narration.

- (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.

(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&AG

- (x) The paragraphs should not be cluttered with information not relevant to the points sought to be made.

(HQrs. D.O. Lr. No. 1009-Rep/83-72 dated 5-6-1972).

**(b) Processing of draft paragraphs for the Report of the Comptroller & Auditor General ( Civil)**

- (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.

- (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.

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.

- (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.

- (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.
- (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.
- (vi) The following points should be kept in view while processing draft paragraphs/ scheme reviews :
  - (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 / 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 for adjustment against the specific grants / loans released by Government of India for the schemes; and
  - 3. Whether the unspent balance has been refunded.
- (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.
- (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.

( vide Headquarter's letter No. 353-Rep(S)/175-2000 dated 19-4-2001 )

- (a) 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.
- (b) Extra expenditure due to failure of the departments to avail themselves of DGS & D rate contracts should be highlighted wherever possible.

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.

### **8.20 Instruction for improving the quality of Audit Report**

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 :

- (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:
  - (a) Newspapers and periodicals purchased by the Main Office are to be circulated to the Cell for taking clippings and filing them subject-wise.
  - (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.
  - (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.

- (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 :

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.

- (ii) Before an audit party commences any major review or inspection, the Group Officer may, 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.

- (iv) There should be a system of selecting a scheme for audit / brief review by each inspection party. (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 (HQrs) for conducting an overall review.
- (v) 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 (HQrs) in consultation with Report Section keeping in view the instructions if any issued by Headquarters. Once the topics are selected, (HQrs) is to advise the field 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, (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.
- (vi) 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.
- (vii) 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.

(viii) 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.

(viii) 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.



**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	G2

			owing to reasons which could be foreseen.	
		(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 ensuring availability of adequate infrastructure.	G7
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

**Manual of Outside Audit Department**

		(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



**CHAPTER 9****INTEGRATED AUDIT OF DEPARTMENTS****9.01 Objective**

(a) Comprehensive or an integrated audit of a department is a combination of the traditional financial audit and efficiency-cum-performance audit. It will involve on the one hand examination of the quality of financial management, including the soundness and appropriateness of internal control systems in its key areas of activity, and on the other, Value For Money (VFM) or 3E (Economy, Efficiency and Effectiveness) issues covering management and delivery of programmes and services. The broad end-objectives are to identify the weaknesses and failures in financial and programme management and to formulate recommendation aimed at improvements in the department's functioning

(b) In order to achieve the desired results within a given time frame, detailed examination based on a clear understanding of its organizational structure and characteristics is necessary.

**9.02 Approach to Integrated Audit**

a) This audit is also required to adopt of newer audit methodologies and techniques including the use of electronic database and even use of computerized auditing techniques (CAT) wherever computerized systems are in use on a large scale. Integrated Audit of a department may ideally begin at the level of the Government and the concerned Directorate and to be preceded by a detailed study of the following to obtain an integrated view of the department:

- i) Objectives of the department
- ii) Rules of Business
- iii) Annual Administrative Reports
- iv) Annual Action Plans
- v) Budget documents
- vi) Performance Budgets.
- vii) Plan documents

- viii) Schemes – Central as well as State – implemented by the department
  - ix) Policy initiatives taken by the department.
  - x) Reports, if any, of Parliamentary Committees and other external agencies.
  - xi) Internal manuals.
- (b) In addition, information gathered from an analysis of the accounts of the department concerned and from audit findings pertaining to the department should be carefully studied and issues identified for further examination. The database of the contingent vouchers of the Departments prepared by the Central Audit Section may also be analysed. Inputs available in the Directorate of Accounts such as the monthly Civil Accounts, appropriation accounts, appreciation notes sent to Government, lists of unadjusted abstract contingent bills and ‘nil’ payment vouchers, lacunae noticed in the paid vouchers, accounting errors, etc. Should be made use of for the identification of issues to be examined by the audit teams entrusted with integrated audit.
- (c) Before taking up the field inspection for integrated audit the Accountant General, Goa should meet the Secretary and explain to him/her about the scope and purpose of the integrated audit and the objectives sought to be achieved. The Secretary may be requested to arrange a presentation of the department’s main activities to facilitate better understanding of its mandate, objectives and functions.
- (d) Audit of the selected DDO may be taken up simultaneously thereafter by deputing the requisite number of audit teams. Each of these teams or parties may be provided with all the leads and information that had emerged from the central audit as well as audit at the levels of the Government and the Directorate. Results of these audits may be summarized and, if necessary, another spell of audit may be arranged at the Government and Directorate levels.
- (e) On conclusion of the audit, the AG, Goa should write demi-officially to the Secretary of the Department briefing him/her about the main findings of audit and the suggestions proposed and requesting a discussion thereon.

Any suggestions or recommendations should be included in the Audit Report only after discussion with the Secretary.

### 9.03 Issues for audit Scrutiny

#### (A) Financial Management:

(I) **Budget Formulation:-** Apart from examining the current practices and procedures relating to Budget formulation and adherence to the relevant rules and instructions issued in this regard by the Finance Department, the following aspects could also be examined for possible comment:

(i) Adequacy of the rules and instructions relating to the formulation of budget and revised estimates, responsibilities of different functionaries and shortcomings, if any.

(ii) Adherence by the DDOs to the time schedules prescribed for submission of estimates.

(iii) Extent of scrutiny exercised by the Directorate and the Department of the estimates furnished by the DDOs and the justification furnished in support of original estimates and estimates of additional requirements.

(iv) Adequacy and effectiveness of the role played by and the involvement of the administrative Secretary and Head of the Department in formulating the departmental budget and the extent to which designated responsibilities are discharged by them.

(v) Besides, the quality and reliability of the budget estimates could be assessed by an in depth scrutiny of a few estimates with a reference to the actual expenditure.

(II) **Expenditure Control:** Financial rules provide that the Head of the Administrative Department should exercise effective e control over expenditure. The following aspects could be looked into by Audit in this context:

- (i) Systems and arrangements available for determination of allotment of funds to various DDOs and their timely release and the adequacy of these arrangements.
- (ii) Arrangements for communication of allotments to the DDOs concerned the AG and the Treasury Officers.
- (iii) Machinery for exercising expenditure control and monitoring expenditure incurred by field units and its adequacy.
- (iv) Timely receipt of monthly expenditure statements from the DDOs arrangements for their documentation and analysis and the extent of which these are e utilized for the purpose of exercising effective control over expenditure. Statistical information may also be compiled for including in the Review on (a) the number of DDOs and others from whom the monthly statements were to be received; (b) the total number of expenditure statements due in a year; and (c) the number of statements actually received. The reasons for their non-receipt of belated receipt may also be analysed and deficiencies in the relevant systems and procedures highlighted.
- (v) Review of as many Plan and Non-Plan schemes implemented by the departments as possible to focus attention on the following:
  - (a) Unconscionable or persistent delays in release of funds to the DDOs for implementation of the schemes.
  - (b) Instances of drawal of funds in anticipation of requirements.
  - (c) Irregular diversion of funds and arrangements available centrally for control over utilisation and prevention of diversions.
  - (d) Arrangements for monitoring expenditure on schemes and their adequacy.
  - (e) Rush of expenditure towards the close of the financial year.

- (f) Instance of drawal of funds to avoid lapse of grants and their irregular retention outside government accounts.
- vi) Unusual or extraordinary items of expenditure.
- vii) Outstanding loans and advances to departmental personnel and outside parties and adequacy of arrangements for their pursuance and settlement.
- viii) Aspects relating to Appropriation Audit and analysis of reasons for excesses over voted grants and charged appropriations, savings in grants and appropriations and surrenders.
- ix) Reconciliation of departmental expenditure with that accounted for by the AG, Goa and its impact. Non-adherence to the procedures prescribed in this regard and its adverse consequences may also be highlighted.

**(B) Programme Management:-**

Audit may examine the arrangements and machinery in place for the formulation, planning, implementation, monitoring and evaluation of various schemes and projects and frame appropriate comments from the perspective of 3 Es or VFM Audit. For this purpose a few major schemes may have to be examined in detail at the micro level.

**(C) Personnel Management:-**

Audit may examine the arrangements for manpower planning, assessment of requirements and utilisation of manpower; procedures for creation of posts; transfer and rotation policies; overstaffing; delays in provisioning; assessment of training needs, expenditure on training and utilisation of trained manpower; etc. The detailed principles and guidelines on Manpower Audit paragraph 7.31 of this manual may also be kept in view in this context.

**(D) Inventory Management and Control:-**

Some of the major contracts and agreements entered into by the department and its field units for purchases and supplies may be scrutinized to highlight deficiencies in systems and procedures,

irregularities in purchase, instances of purchases being resorted to without adequate justification or even in the absence of actual requirements resulting in unutilized inventories, etc. Adequacy of the arrangements for inventory management and control may also be examined and commented upon.

**9.04 Internal control:**

Integrated audit should comment comprehensively and in a focused manner on the quality of internal control exercised by the department at the Secretariat and Directorate levels as well as by its field units in the spheres of financial management, programme management and personnel management. For this purpose, Audit need to ascertain whether (a) adequate control mechanisms have been prescribed; (b) these are appropriate and adequate; and (c) such controls as are available are in fact operative and functioning

**9.05 Accountability aspects:**

Audit should examine and comment upon the arrangements for securing and enforcing accountability at different levels and the department with particular reference to the availability of appropriate internal control mechanisms in all areas so as to be functioning and utilisation of these mechanisms in a manner that facilitates the achievement of the overall goals and objective of the Department.

**CHAPTER 10****INFORMATION TECHNOLOGY AUDIT (IT AUDIT)**

**10.01** 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.

**10.02 Audit concerns associated with the use of IT systems**

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:

- (a) Reduced accountability due to anonymity of users.
- (b) Possibility of unauthorised and unrecorded amendment to data
- (c) Absence of a visible audit trail.
- (d) Possibility of duplication / non-inclusion of data
- (e) Distributed data storage and processing
- (f) Outsourcing System failure/ shutdown
- (g) of IT service

**10.03 Aspects of Audit Planning*****(1) Technical Planning***

We have to carry out a general review of the IT system ( GRIT) of the auditee to obtain an overview of the

- Auditee, nature of their business including their IT strategy and policies and management and control strategy

## ***Manual of Outside Audit Department***

- The size, type and complexity of the computerised financial system used by the auditee and its relation with the supporting subsystems
- Major IT systems in terms of value of the system themselves and their contribution to the achievement of the corporate objectives of the auditee.

### **(2) *Logistical Planning***

This involves

- (a) Resource Planning ( man power, hardware, audit software tools and budget )
- (b) Allocation of responsibility to the IT audit team.
- (c) Planning the methodology of audit, viz. System based audit or direct substantive testing.
- (d) Drawing up a time schedule for various tasks on the basis of complexity of the auditee's system and their business criticality
- (e) Exploring ways of obtaining audit evidence and framing the reporting requirements.

### **10.04 Controls**

In the context of IT systems, there are two types of controls -- General Controls and Application Controls

### **10.05 General Controls**

- (a) Organisation and Management Control
  - (b) Separation of Duties
  - (c) Physical and Logical Access Controls
  - (d) System Development Controls
  - (e) Program Amendment Controls
  - (f) Business Continuity Control
- (a) Organisation and Management control**



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.

#### ***Audit Checks***

- Ensure whether there is a formal IT strategy and detailed tactical plans and see if they are in line with the stated business objectives.
- Identify major IT units.
- Examine if there is a sufficiently empowered IT strategy committee actually involved in the management of IT.
- Verify if policies, standards, procedures and methodologies have been approved for controlling IT.
- Examine if management takes into consideration the total costs.

#### **(b) Separation of duties**

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.

#### ***Audit Checks***

- Examine organisational chart to determine adequacy of separation of duties.
- Review job description to determine that the segregation is maintained.
- Review back-up arrangement to ensure that separation is maintained.

#### **(a) Physical and Logical Access Control**

Physical access controls aim at safeguarding the computer equipment from unauthorised access, theft and damages due to accidents, deliberate action, etc.

Logical access controls such as password aim at protecting the data files from unauthorised access.

***Audit checks***

- Verify whether there is a formal IT security policy and a security program for the organisation.
- Verify if users are aware of all security procedures and associated disciplinary action and if security drills are conducted regularly.
- Check whether there are appropriate physical access restriction for the computer room and even for supporting staff such as cleaning, security and maintenance staff.

**(b) System Development Controls**

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

***Audit checks***

- Check if a formal methodology has been accepted for design and development of IT system.
- 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.
- Check the level of involvement of users in the design and implementation of system.
- Verify if an adequate audit trail has been built into the system.
- Verify adequacy of specific controls at each stage of the system development life cycle

**(c) Program amendment controls**

These controls ensure that all the modifications to the existing systems are authorised, properly tested, documented and operated as planned.

**Audit checks**

- 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.
- Verify if amendment schedules have been specified to allow time for adequate installation and testing of the new hardware and software.
- Verify if before implementing the amendments, various manuals have been modified suitably.
- Ascertain if the time schedule for effecting the amendments have been adhered to.
- Evaluate if the testing change procedures interfere with normal operations.
- Check whether the auditee has any back out plan.

**(d) Business continuity planning or back-up and recovery control**

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 breakdown of the IT system

**Audit checks**

- 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.
- 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.
- Check if there is a formal disaster recovery plan -- review the stand by arrangements for processing as also for recovery of the main system.

## **10.06 Application Controls**

### **(a) Input Controls**

These controls ensure that the data being keyed into the computer is authorised, accurate, unique (no duplication), complete and recorded.

#### *Audit checks*

- Identify the main inputs to the application.
- Check if there are procedures for authorisation of input data, conduct a test check of authorisation.
- Verify the adequacy of checks (manual and computerised) for validation of data.
- Verify the adequacy of procedures for ensuring uniqueness of completeness of data.
- Verify the procedure for handling incorrect data and the re-input (after correction) to the system

### **(a) Processing Control**

These controls ensure that the processing transaction is accurate, complete, unique, valid and auditable.

#### *Audit checks*

- Check the controls for validation of completeness and accuracy of data at each stage of processing.
- Check procedure for error handling at each stage of processing.
- Check if there are procedures for verifying periodically the integrity of data tables.

### **(b) Output Controls**

These ensure that what comes out of the computer is complete, accurate and has been distributed as planned.

#### *Audit checks*

- Check the controls for ensuring accuracy and adequacy of outputs. E.g. Overall reconciliation of output back to inputs.

- Check if there are controls to ensure that outputs are safeguarded adequately before distribution; and that these reach proper destination.
- Check for controls on issue, reconciliation and verification of financial stationery (e.g. Cheques) and controls on stationery printed, distributed and cancelled.

### (c) End User Computing Controls

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.

#### Audit checks

- Check if access to computers is restricted and controlled adequately E.g. Through locking of computers.
- Check if sensitive information is protected adequately through encryption, password etc.
- Check if there are methods for backing up data and if these are adhered to in practice.
- Check if floppy disks are stored securely.
- Check control for prevention of entry of viruses, verify if computers are scanned periodically for viruses.
- Check the adequacy of support services of maintenance and repair.

### 10.07 Audit of procurement of IT system

The importance of audit of IT systems arises due to the following reasons :

- (i) IT systems involve large investment and require audit attention.
- (ii) Procurement is a vital part of system development.
- (iii) Procurement of IT systems involve consideration of several technical parameters and it has to be ensured that technical and financial considerations have been balanced.

(iv) 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 :

- (a) Has the need for IT system been identified clearly and justified?
- (b) Have the procurement proposals been approved by Competent authority?
- (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 ?
- (d) Have the user requirements specification been met fully ?
- (e) Has due and adequate publicity been given to the invitation to tender for the system ?
- (f) In the case of high value contracts, whether prequalification of the tenderers was done to shortlist technically competent contractors for invitation to bid ?
- (g) Whether a two packet system of tendering ( one sealed packet containing technical bid and another containing general bid ) is adopted ?
- (h) The composition of tender committee and time taken to finalise the tenders.
- (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 ?
- (j) Whether legal advice has been taken before signing the contract ?
- (k) Where negotiations are held whether all the tenderers were given equal opportunity ?

#### **10.08 Performance audit of IT systems**

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.

In the context of IT systems it involves

- (a) Setting up and maintenance of IT systems involving huge investment and sophisticated technology.
- (b) IT systems handle, strategy and critical information vital to the achievement of basic business objectives of the organisation.

Performance audit of IT systems involve three stages, viz. survey, identifying evidence for poor performance and exploring reasons for poor performance.

### **Survey**

A performance audit survey considers the following aspects:

**Materiality** -- The subject should be significant in terms of cost.

**Topicality** -- The subject should be of topical interest.

**Evidence** -- There should be sufficient, reliable and relevant evidence to establish that there is a problem to be investigated.

**Results** -- There should be scope for achieving improvement through audit observations.

In order to identify topics that meet these criteria it is necessary to know the corporate objectives, organisations and resources.

The indicators for poor performance are as follows :

**User dissatisfaction** -- If there is widespread user dissatisfaction, it indicates failure in involving users in the specification or acceptance of the system apart from inadequate training.

**Unreliable systems** -- Log may be reviewed to check the number of times the system failed.

**Poor integration** -- 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.

**Cost overrun** -- Verify the budget records and check for variations.

*Time overrun* -- Verify minutes of project, Broadsheets meetings, and strategies covering the proposal, design, procurement and development of the system. If time schedules were fixed verify reason for delay.

*Abandoned projects* -- In respect of abandoned projects reasons for the same may be verified.

*Running Costs* -- 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.

*Dispute with suppliers* -- 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.

Some of the main reasons which could explain the failure of IT system are given below :

- (a) The auditee institution does not have a sound IT strategy which is linked to its corporate / business strategy.
- (b) Verify whether the organisation has not formulated and documented standards for project design and development.
- (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.
- (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.
- (e) Absence of a good project management may lead to poor performance of IT system.
- (f) Poor operation management will result in high running costs and poor reliability.
- (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.



### 10.09 Computer Aided Audit Techniques (CAATS)

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.

CAATS can be used to test either system or data.

**System testing** includes program review and code comparison (comparison of source code version of the program against a master copy).

**Testing of data** includes file interrogation, and embedded audit code. Fileinterrogation helps to read the auditee data files and carry out various analytical test.

**Embedded audit code** implies insertion of auditor's own program in the site of program of the auditee to examine the transactions passing through the system.

**Downloading of data** refers to transfer of data from auditee's computer to auditor's computer in a suitable format for the auditor to analyse using CAATS.

**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

***Manual of Outside Audit Department***

- Gap detection
- Exception reporting
- Extraction of records satisfying specified criteria
- Sampling

## CHAPTER 11

### STATISTICAL SAMPLING

**11.01** 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.

**11.02** 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.

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.

Statistical sampling will require the following steps:

## ***Manual of Outside Audit Department***

- (a) Determine an estimate of sample size
- (b) Determine the confidence level ; and
- (c) Determine the tolerance limits

It will give following advantages

- (a) The sample result is objective and defensible.
- (b) Objective evaluation of a test result is possible.
- (c) The method provides a means of advance estimation of sample size on an objective basis.
- (d) The method provides for an estimate of sampling error.
- (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.
- (f) It saves time and money
- (g) It may be combined and evaluated even though accomplished by different auditors.
- (h) It helps in bringing the observations in sharp focus as these can be analysed for each type of auditee

**11.03** 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.

**11.04** 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 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).

**11.05** 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

**11.06** Statistical sampling in the context of audit checks, embrace distinct part.

- (i) The determination of sample size
- (ii) The manner of selection of sample for checking
- (iii) Evaluation of the results of checks

**11.07** 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.

**11.08** The purpose of audit while checking the selected sample are many but include mainly

- (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.

( D.O. No. 48 - Audit ( OM & M) / 102 - 94 of Deputy Comptroller And Auditor General ).

**11.09** 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.

**11.10** 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.

[ C&AG's Circular No. 7 of 1997 No. 433-Audit ( MOM) 224-97 dated 8-8-1997 ]

## CHAPTER 12

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

**12.01** The Local Audit Parties should keep themselves equipped with the Departmental Code/Manuals/Rules etc. and also the provisions of the relevant Accounts and then proceed to conduct the audit on the basis of guidelines given in the C&AG's MSO Audit 2<sup>nd</sup> Edition

1. **Cash Book:** Receipts should be checked with the counterfoils of receipts whereas payments should be checked with vouchers. Totals and carry forward of balances should be checked.
2. **Bill Register and Token Register:** Whether all columns, such as date of presentation to Treasury, date of passing, Token No., Voucher No. Are entered and at the end of each month abstract vide Rule 277 of Maharashtra Treasury Rules, Vol. I, 1968 has been prepared should be seen.
3. **Treasury Verification:** Remittances made by the department should be reconciled with records in Treasury
4. **Register of Contingent Expenditure:** It should be checked with abstract bills. It should be seen that the expenditure is kept within sanctioned grants.
5. **Register of Permanent Advance:** It should be seen that the expenditure from the permanent advance is recouped from time to time.
6. **Register of Security Bonds:** It should be seen that proper security is taken from persons holding stores or cash.
7. **Dead Stock Register:** Check receipts in the register with the vouchers. It is to be seen that unserviceable articles have been written off with proper sanction. See that the dead stock has been physically verified annually and certificate to that effect has been recorded in the register.
8. **Service Books of Employees/Staff:** Service book to be checked with reference to pay fixation, leave account, increment etc.
9. **G.P. Fund Account of Class IV Employees:** Interest calculation is to be checked.

10. **Various types of Advance:** Such as House Building Advance, Motor Cycle Advance, Computer Advance, TA Advance etc. Are paid to staff. These may be scrutinised with regard to relevant records, terms and conditions of the advances paid etc.
11. **Personal Ledger Account:** Cash book and pass book to be verified. It is to be seen whether closing balances as shown in the cash book and pass book tallies and if no, reconciliation explaining differences has been carried out every month

**12.02** 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 draws.

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.
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.
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.
4. It may be seen that whether the Budgetary and cash flow restrictions imposed by the Government were ignored by the Department and Treasuries.



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.
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
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.
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
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.
10. Whether the Civil Accounts prepared by Accountant General ( A& E) have shown any excess expenditure under any separate head of account and the Finance Department has initiated any investigation on the excess expenditure.
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.
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 & 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

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 budget provision vis-à-vis the actual expenditure of any particular Department.
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.
15. Audit should see that proper action has been taken by the Government on Appropriation Accounts submitted by the Accountant General.
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.
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.
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.
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
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

21. Failure on the part of Treasury Officers should be highlighted in the reports with special emphasis on the following :
- a) Whether the Treasury Officer overlooked that improper bill forms were presented and got passed.
  - b) The bills were signed by the D.D.O.s.
  - c) The Treasury Officers were actually obeying the instruction / direction issued by Finance Department from time to time.
  - 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
  - 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.
  - f) Audit should invariably ascertain the arithmetical accuracy in all such bills.

As mentioned earlier in this chapter, the delay in the rendition of accounts should also be specified.

## CHAPTER 13

### Major departments in the state of Goa and their Activity & Functioning

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.

There are 11 Major Departments under audit justification in the state of Goa.

1. Public Work Division (PWD)
2. Transport
3. Police
4. Social Welfare
5. Health Services, GMC, Dental, IPHB
6. Agriculture
7. Forest
8. Electricity
9. Water Resource Development (WRD)
10. Education
11. Tourism.

Brief functioning of some of these departments:

#### 13.01

#### PUBLIC WORKS DEPARTMENT

##### 13.01.01. Introduction:

Public Works Department is the major Department of the state of Goa headed by Principal Chief Engineer. He is budget controlling and appointing authority. Chief Engineer-I & Chief Engineer-II are under Principal Chief Engineer, they control Circle offices, Works Divisions, Sub Divisions. Public Works Department looks after the execution and maintenance of Works, such as:

##### i) Building Works

- a) Construction of Institutional Complexes and other Public Buildings.
- b) Construction of Hydraulic works like Jetties and Ramps.
- c) Other Miscellaneous works of sports like Stadium and Swimming Pools and other civil works in urban and rural areas.

- d) Repairs and maintenance of Government building including Governors and Ministers Bungalows.
- e) Various designing of building for the entire State of Goa including drawing for the project.
- f) RCC drawings and issue of ammonia prints for various RCC and structural drawing/civil construction works.

**ii) Roads and Bridges.**

- a) National Highways and Bridges
- b) State Highways
- c) Major District Roads
- d) Rural Roads
- e) Western Ghat Development Programme (WGDP).

**iii) Water Supply and Sanitation.**

- a) State Programmes.
- b) Centrally Sponsored Schemes.

**iv) Electrical and Mechanical**

- a) Procurement of Stores (Electrical and Mechanical)
- b) Maintenance of Vehicle Work – Electrical and Mechanical

**v) Deposit works.**

**13.01.02. Organizational chart of the Department:**

The Department is headed by the Principal Chief Engineer who is assisted by the Chief Engineers- I & Chief Engineer- II. Chief Engineer- I is incharge of Public Health Engineering, Roads & Bridges, matters related to Centrally Sponsored Schemes. The Chief Engineer- II deals with all works of buildings, mechanical & electrical and also MPLAD works. The Department is divided into Circles and Sub-divisions into Divisions.

**13.01.03. Acts and Rules Implemented by the Department:**

The Chief Engineers are authorized to exercise their Technical Powers as per the procedures laid down in CPWD, Works Manual 07 & Code and delegation of powers as approved by the Government from time to time.

**13.02 DIRECTORATE OF TRANSPORT****13.02.01. Introduction:**

The is a regulatory department which implements various statutory provisions as contained in the Central Motor Vehicles Act-1988, Rules-1989 and the Goa Motor Vehicle Rules-1991 made there under (amended from time to time) regulating road transport, passenger and freight movement, motor vehicles management and various schemes for benefit of the public and is often in the eyes of media and the public general. The Department endeavors to strive for a harmonious relationship between the public and officials so as to serve the public better.

**13.02.02. Organizational Chart of the Department:**

The Department is headed by the Director of Transport, who also functions as Ex. Officio Addl. Secretary. The Headquarters is manned by Deputy Director of Transport (North), Deputy Director of Transport (Admin.) and Asstt. Director of Transport – HQ, with various sections under them viz. Establishment Section, Statistical Cell and STA Cell, Bus Stands Section and Subsidy Section. The Accounts Section is headed by Accounts Officer with the assistance of Asstt. Accounts Officer, Accountants and other clerical staff. There are two offices of Deputy Director of Transport in the North and South and two offices of Enforcement in North and South. Enforcement duties are performed through its team of M.V.I and A.M.V.I in the respective regions and Border Check Posts in the North and South Goa.

At the Taluka level, there are nine offices of Asstt. Director of Transport whose core functions are issuing Driving Licences and Registration of Vehicles in their respective jurisdiction. A tenth office at Dharbandora will be opened shortly.

**13.02.03. Functions and duties carried out by the Department:**

The Transport Departments core functions are issuing of Driving Licenses and Registration Certificates of Vehicles. Besides, the department is also performing regulatory functions under Central Government and State Government Laws by way of enforcement duties. In connection with the

## **Manual of Outside Audit Department**

enforcement functions, the department also performs the role of an educator to the public on the subject of Road Safety. The Department is also implementing schemes for replacing of old model vehicles so as to promote pollution control and measures for clean environment, and also providing better facilities to the public in general. The launching of “**Vahan and Sarathi**” software has further upgraded registration system for the registration of vehicles and issuing of driving licences in all the sub offices of the department which is a step forward towards e – governance.

The services will be delivered to the citizens in the below mentioned time frame:

<b>Sr. No</b>	<b>NAME OF THE SERVICE</b>	<b>TIME FRAME FOR THE DOCUMENT DELIVERY</b>
1	Application for the grant of learner’s licence (FORM 2)	1 working day
2	Application for the grant of driving licence (FORM 4)	2 working days
3	Application for the renewal of driving licence (FORM 9)	1 working day
4	Intimation of loss or destroyed of driving licence and application for duplicate (L.L.D.)	1 working day
5	Application for grant of subsidy for Y/B taxi, Auto rickshaw, motor cycle	All the applications received on or before 10 <sup>th</sup> will be cleared by 10 <sup>th</sup> of the next month.
6	Application for subsidy for replacement of 15 year Old bus/ mini bus	3 working days

The Department has further simplified the procedure of acknowledgment of applications by sending SMS to the concerned applicants with respective remarks by the Registration Authority.

### **13.02.04. Acts and Rules Implemented by the Department:**

The Department collects revenue by way of implementation of the Central M.V. Act, State M.V. Act, Passenger Tax Act and Goa Rural Improvement and Welfare Cess Act, 2000 and Goa Rural Improvement and Welfare Cess Rules, 2001.

## 13.03

## POLICE DEPARTMENT

13.03.01 **Introduction:**

8<sup>th</sup> June is a very significant date in the history of Goa, as it symbolizes the transfer of authority from Military Administration to Civil Administration 43 years ago. Police is a very important arm of the Civil Administration, thus Goa Police celebrates this week as **Goa Police Day and the entire week as Goa Police Week.**

Goa Police has made steady progress by adopting various steps to **change its motto from being a force to a service.** Field Marshall Kitchener has stated that “THERE IS A GREAT CIVILIZING POWER IN POLICEMEN”. A power, by which, he can make an impact on the society to the extent that he can be instrumental in changing the society. If one goes through the history of Indian Police, there are many instances where Policemen in the line of duty have favourably contributed in bringing about a change in the society.

There are 27 Police stations in the State of Goa at the service of the people. Most of these Police Stations are headed by the Police Officers of the rank of the Police Inspectors who are assisted by other officers and men.

The total strength of Goa Police is 4901

13.03.02 **Checks to be applied/Records maintained at the Offices of the Commissionerate/District Superintendent of Police:-**

1. Day Book.
2. Licence register (Hotel Lodging, Bar, Circus).
3. Distress warrant registers, S. T. Warrants/Railway Warrants registers.
4. Grant-in-aid to Municipal Corporation for travelling by Policemen.
5. Off Day Compensation payments with reference to Duties allocation.
6. Bandobast Bhatta.
7. Recovery of Escort charges in respect of private parties.
8. Water charges; Property Tax payment to Municipal Corporation.
9. Arms & Ammunition Register.



10. Distribution and returns of Police Kits & Clothing (badges, uniforms, Boots, Mosquito Nets, T-Shirts, Umbrellas, Belts etc.)
11. Weekly Gazettes issued by Head office and entries made in the Service sheets on account of leave, increment, suspension, promotion, reversion reinstatement with reference to pay/leave salary & allowances in the Sheet Branch & Accounts Branch.
12. Medical Bills.
13. Remittances of Police receipt.
14. Tracing of vouchers.
15. Pay & Allowances with reference to number of Policemen (Constabulary staff, Police Sub-Inspectors/Inspectors).
16. Petrol Pump record.
17. Vulcanization & Retreading of tyres.
18. Accounts of Tyres & Tubes.
19. History sheet of vehicles.
20. Mess & Canteen Records.
21. Welfare Day book for Welfare activities.
22. Police and cash book.
23. Register of disposal of condemned articles.
24. Register of Arms and Ammunition in stock.
25. Register of Rifles, Swords.
26. Contracts, such as store purchase, stitching of uniforms, funeral of paupers, painting letters on vehicles, auction, sign-board erection, etc.
27. Arms and Ammunition licence fees register.
28. Cash book, fee register, stock account, dead stock register of photographic instruments manufactured by Modus Operandi Bureau.
29. In the Selected Police stations following records to be checked:-
  - i. Bhatta money register.
  - ii. Muddemal register.
  - iii. Register of unclaimed cash, Govt. promissory and currency notes.
  - iv. Bail deposit register etc.

**13.03.03 Functions and Duties carried out by the Department****District SsP North and South**

Maintenance of Law & Order, prevention, detection of Crime, collection of intelligence, providing security to VIPs/VVIPs, patrolling duties, social activities towards senior citizens. Keeps overall situation in the State peaceful and under control also look after the welfare of staff under their control.

**Anti-Narcotic Police Station**

Anti-Narcotic Cell has jurisdiction all over Goa for the purpose of investigation of the offences under N.D.P.S. Act. The Anti-Narcotic Cell Police Station makes vigorous efforts to tackle the drug menace in the State. The constant and untiring efforts of the ANC Police Station, to apprehend the drug traffickers, prevent drug abuse and concentrate on the sensitive and drug prone areas has resulted in curbing the drug menace to a large extent.

**Criminal Investigation Department**

The function of the Crime Branch includes investigation of the cases entrusted by the DGP or those registered directly by the Crime Branch through source information or as a result of raids.

**Foreigners Branch**

Foreigners Branch looks after the registration of foreigners, extension of their visas, Indian citizenship applications, enquiries into visas of Pakistan Nationals, enforcement of the provisions of foreigners Act, Foreigner's order etc., death and missing report of foreigners and various matters pertaining to foreign Nationals.

**Traffic Management**

In order to promote observance of traffic rules and to prevent accidents, the Traffic Police is constantly engaged in conducting Traffic Education Programmes to students, drivers and the other road users. Traffic Police also carry out sustained enforcement against the over speeding drivers/riders.

**Special Branch**

Special Branch is responsible for collecting intelligence from all CID Centres and wings, on aspects like Political, students, youths and labour unrest, commercial, educational, economical, Government offices etc. Efforts are afoot to revamp the entire Special Branch to make it functional to its optimum level.

**Communication & Wireless/PCR**

The main function of PCR is to provide assistance and help to public in case of need and distress by the quickest possible means within the shortest possible time and to collect and disseminate information for assisting the local Police in preventing and detection of crime and maintenance of Law and order.

Ultra High Frequency communication system has been installed for quick transmission of messages.

### **State Police Control Room**

Supervision of State Police Control Room, communication and mobile patrols with emphasis on quick response, Red Alert Scheme, Disaster Management Plan.

### **Women Police Station**

The Women Police Station has started functioning at Police Headquarters, Panaji from 2001. The Women Police Station is having jurisdiction for the entire State of Goa.

The Women Police Station deals with cases pertaining to Rape, Kidnapping, abduction, dowry death, molestation, sexual harassment, offences under Immoral Traffic (Prevention) Act, 1956. Indecent Representation of Women (Prohibition) Act, 1986 and the Dowry Prohibition Act, 1961.

### **Coastal Security Police Force**

The basic objective of establishing Coastal Police Station in the State is to overcome the limitations of the State Police in terms of needed infrastructure and skilled man power to exercise their policing jurisdiction effectively in the territorial waters. Coastal Security Police Stations have been created with emphasis on the security aspect and its jurisdiction also extends into the sea up to 12 Nautical Miles. These Police Stations, therefore, will have marine component besides intelligence and investigation wings to effect better surveillance and control over sea, coast, creeks and other water ways connected to sea. The force is engaged in policing the territorial waters with a view of protecting national interests in such waters and providing a sense of security to the inhabitants and other stakeholder in the Coastal areas.

### **CID Security**

The CID Security unit mainly deals in providing security cover to the protected persons in the State of Goa and those visiting Goa from other States and foreign countries as per the security categorization as Z Plus, Z, Y, X and DF Scale. In addition to providing the security cover to the local protectees i.e. the Governor of Goa, C.M. of Goa.

### **CRIME**

The crime control, safety and security of life and property in the State, maintaining of peace and tranquility, communal harmony, prevention and detection of crime and law and order in the State.

#### **13.03.04 Acts and Rules Implemented by the Department**

All Rules and Acts which are applicable to the State of Goa and wherein Police are empowered are implemented by the Department.

## 13.04

**DIRECTORATE OF SOCIAL WELFARE****13.04.01 Introduction:**

The Directorate of Social Welfare is implementing various schemes for the welfare of the needy, neglected, socially and educationally backward sections of the society, such as the Scheduled Castes/Scheduled Tribes and Other Backward Classes, the Differently Abled Persons, Senior Citizens, the Destitute, Prisoners and their dependents, Safai Karmacharis and Beggars. This Directorate being the Nodal Department formulated the Scheduled Caste Sub-Plan of the State. Besides, self-employment Schemes are also implemented for the overall development of SC/OBC communities, through Goa State Scheduled Castes and Other Backward Classes Finance and Development Corporation (GSSCOBCFDC).

**13.04.02 Organizational chart of the Department:**

The Directorate of Social Welfare is headed by the Director, who is also Ex-Officio Joint Secretary and is assisted by a Deputy Director, a Statistical Officer, a Assistants Account Officer. The Deputy Director who is designated as Head of Office is also holding Additional charge of Asst. Director, SC/OBC, Social Defense & Welfare of Disabled Branch in addition to his routine duties. The sanctioned strength of the Department is 250.

**13.04.03 Functions And Duties carried out by the Department:**

The Directorate of Social Welfare deals with implementation of schemes for the welfare of Scheduled Castes, Scheduled Tribes, Other Backward Classes, Minority Communities, the Differently Abled Persons (Disabled), Senior Citizens, Destitutes, Prisoners and their Dependents, Safai Karmacharis and Beggars. Besides, various Acts and Rules are also implemented for the welfare of these communities.

**13.04.04 Acts & Rules implemented by the Department:**

The following State and Central Acts are implemented by the Department.

**i. Protection of Civil Rights Act, 1955:**

The Act aims at providing maximum relief to Scheduled Caste population who has been suffering from various types of disabilities/untouchabilities in the Society. There are no vulnerable untouchability areas in the State of Goa.

**ii. The Goa Prevention of Begging Act, 1972:**

The act aims at providing an Institution for detection, training and employment of beggars and their dependents.

**iii. The National Trusts Act, 1999:**

Under Section 13 of the National Trust Act, a three members local level committee is Constituted in every District for the welfare of persons with Autism, Cerebral Palsy, Mental Retardation & Multiple disabilities. In North Goa District, the Committee is headed by Director of Social Welfare, and in South Goa District by the Collector (South Goa)

**iv. The Prevention of Atrocities Act, 1989:**

The Act prevents the commission of offences of Atrocities against the members of the Scheduled Castes and Scheduled Tribes, provides for special courts for the trial of such offences for relief and rehabilitation of the victims of such offences and for matters connected therewith or incidental thereto.

**v. The Goa State Commission for Backward Classes Act, 1993:**

The Act provides constitution of a State Commission for Backward Classes other than the Scheduled Castes and the Scheduled Tribes and to provide for matters connected therewith or incidental thereto.

**vi. The Maintenance & Welfare of Parents & Senior Citizens Act, 2007:**

The Act provides for more effective provisions for the maintenance and welfare of parents & senior citizens guaranteed and recognized under the Constitution and for matters connected therewith or incidental thereto.

**vii. The Rehabilitation Council Act, 1992:**

The Act provided for the Constitution of the Rehabilitation Council of India, for regulating the training of Rehabilitation Professionals and the

maintenance of Central Rehabilitation Register and for matters connected therewith or incidental thereto.

**viii. The Persons With Disabilities (Equal Opportunities Protection of Rights and Full Participation) Act, 1995:**

The Act deals with various aspects of the Welfare of differently Abled persons (Disabled), such as setting up of State Coordination Committee, prevention and early detection of disabilities, Employment, Barrier Free Environment in public places and public offices to the Disabled persons, Non-Discrimination in transport on the roads, Government employment and in the built environment, Recognition of Institutions for Persons with disabilities, Social Security, Appointment of Commissioner for person with Disabilities, etc. Around 101 public places and public offices have been provided with barrier free access.

**ix. The Employment of Manual Scavengers and Construction of Dry Latrines (Prohibition) Act, 1993:**

The Act provides for prohibition of employment of manual scavengers as well as construction or continuance of dry latrine and for the regulation of construction and maintenance of water seal latrines and for matters connected therewith or incidental thereto.

**13.04.05 Budget Estimate**

Year	Amount in `
2012-13	22644.00
2013-14	23861.00

**13.04.06 Vision For Future:**

The Department plans to implement more viable schemes, in future, for the Backward Classes, the Disabled and Senior Citizens, thus, planning to render better service to the Society which will help to improve their quality of life.

- i) **Scheme to provide financial assistance to the persons with disabilities for purchase of motorized vehicle.**

The objective of the scheme is to provide the financial assistance to the persons with disabilities for purchase of two wheeler electric chargeable Motor Cycle that can promote their physical, social, and psychological rehabilitation by reducing the effects of disabilities and enhance their economic potential.

**ii) Dhangar Community:**

To extend all the facilities and benefits to Dhangar Community on par with the other ST communities in the State.

**i) Traditional Occupation:**

To provide monthly financial assistance to the traditional occupation like Poder, Render, Khajekar etc. and to merge the existing scheme to motor-cycle pilot into new scheme.

Besides, it is also proposed to set up a **Branch Office in South Goa**, to provide better service to the people of South Goa.

**13.05 HEALTH DEPARTMENT**

**13.05.01** Following are the wings of the Health Department:

- 1) **Directorate of Health Services**
- 2) **Goa Medical College**
- 3) **Goa Dental College**
- 4) **The Director, IPHB**

**13.05.02**      **DIRECTORATE OF HEALTH SERVICES**

**1.      Introduction:**

Goa has one of the most extensive health systems in India. The Directorate of Health Services primarily seeks to provide preventive, promotive, curative and rehabilitative health services to the people through primary health care approach which has been accepted as one of the main instruments of action for development of human resources, accelerating the socio-economic development and attaining improved quality of life. Primary health care is essential health care for all citizens, easily accessible and at a cost which the citizens and community can afford.

In the rural areas, services are provided through a network of integrated health and family welfare delivery system. The primary health care infrastructure has been developed as a three tier system – Sub Centres, Primary Health Centres and Community Health Centres.

**2.      Organizational chart of the Department:**

The Directorate of Health Services comprises of two District Hospitals viz. Hospicio Hospital, Margao in South Goa District and Asilo Hospital, Mapusa in North Goa District and three other hospitals viz. Leprosy Hospital, Macazana, T.B. Hospital, Margao, and Cottage Hospital, Chicalim which also serve as referral Hospitals, 5 Community Health Centres (CHCs) and 20 Primary Health Centres (PHCs), four Urban Health Centres in four major towns viz. Panaji, Margao, Mapusa and Vasco. 205 sub-centres, one Medical Dispensary at Sada, Vasco, a STD Clinic at Baina, Vasco and 29 Rural Medical



Dispensaries (RMDs) which are situated in remote and inaccessible areas in the State. There are 13 Homeopathic Dispensaries, 11 Ayurvedic Dispensaries. There are in all 1356 beds in the hospitals under the Directorate of which 424 beds are attached to CHCs /PHCs. There are 18 Dental clinics and other special clinics for implementation of various programmes such as Family Welfare, T.B., NCD, STD, Malaria, Leprosy, Control of Blindness, etc.

The Directorate is headed by the Director. There are 5 Dy. Directors viz. Dy. Director-cum-Medical Supdt., Hospicio Hospital, Dy. Director-cum-Medical Supdt., Asilo Hospital, Dy. Director (Public Health), Dy. Director (Medical), Dy. Director (Dental). The Jt. Director of Accounts, Director (Administration) and Vigilance Officer are incharge of their respective offices.

**3. Acts & Rules Implemented by the Department:**

**The Goa Medical Practitioners Act, 2004**

Under Goa Medical Practitioner's Act, 2004 all the private practitioners are bound to register themselves under this Directorate. The applicant should apply on prescribed proforma alongwith a fee of ` 250/- by demand draft in favour of the Director. On receipt of application the competent authority shall inspect the Clinic / Hospital / Nursing Home / Diagnostic Centre / Pathological Laboratory where the applicant is practicing and on basis of inspection the license is granted.

**Massage Parlour / SPA Act**

All the Massage Parlours/SPA functioning in the State of Goa shall be registered with date of Health Services in Form No. 1 accompanied by a fee of ` 1000/- and accordingly upon satisfying the conditions the license is granted.

**Transplantation of Human Organs Rules, 1995**

Under the Act, the Authorisation Committee of Human Organs Act shall call a meeting and examine the documents of the Recipient such as Form No. 1, 2, 3 and 10, Birth Certificate, Marriage Certificate, Photo, Identity Card, Voter's Card, Income Tax, Ration Card etc. If the documents are not in order then the Committee gets the power to reject the application.

**4. Functions & Duties of the different cells of DHS:**

All the Hospitals entertain all referral cases from CHCs, whereas CHCs referral cases from PHCs and PHCs act as referral units from RMDs and Sub-centre.

- I. National Programme For Control of Blindness
- II. The Medical Store Depot
- III. National Iodine Deficiency Disorders Control Programme
- IV. Environmental & Pollution Control Wing
- V. Family Welfare Bureau
- VI. Rch-Ii Programme in Goa
- VII. Janani Suraksha Yojana
- VIII. Family Planning
- IX. Adolescent Reproductive & Sexual Health:
- X. School Health Programme:
- XI. Universal Immunization Programme:
- XII. Maternal Child Health Care:
- XIII. NVBD Control Programme
- XIV. Malaria
- XV. Monitoring Of H1n1 Influenza (Swine Flu)
- XVI. TB Control Programme
- XVII. S.T.D. Control Programme
- XVIII. Aids Control Programme
- XIX. State Health Society(Leprosy)
- XX. Health Education Bureau (Heb)
- XXI. Non Communicable Diseases Cell (NCDC)
- XXII. Dental Cell
- XXIII. Integrated Disease Surveillance Project (IDSP)

**5. Vision for the future:**

1. Reduction in cases of blindness from 1.10% to 0.30%.
2. Implementation and follow up of vision 2020 guidelines.
3. Check up all school going children for refractive errors and other eye defects and providing free spectacles to needy patients.

***Manual of Outside Audit Department***

4. Provide free eye check-up and free IOL operations to the poor cataract patients.
5. To prevent mortality due to Dengue/ Japanese Encephalitis.
6. To reduce morbidity due to Dengue & Chikungunya.
7. Safe and protected sex through education and counseling.
8. Adolescent Education and Increased referrals.
9. Setting up of Iodine Deficiency Disorders Monitoring Laboratory in Goa for the present financial year.
10. National Programme for Prevention and Control of Cancer, Diabetes, Cardio Vascular Diseases and Strokes.
11. National Programme for Health Care of elderly are to be implemented soon.
12. To make dental treatment available to the public and to increase the awareness of dental hygiene and the importance of treatment.

## 13.05.03

**GOA MEDICAL COLLEGE & HOSPITAL****1. Introduction:**

Goa Medical College is the successor of the “*Escola Medicco Cirurgiao de Goa*” established by the Portuguese in the year 1842 and thus one of the oldest Centre of Medical Education in this part of the world. In 1963, the Medical School was upgraded as Goa Medical College. It is one of the prestigious institution of the country admits 150 students for undergraduate MBBS course, 89 Post Graduate students (Degree 59 students & Diploma – 30 students) and there are two seats of M.Ch Super specialty course in Neurosurgery admitted per year. Besides, it imparts teaching to Dental, Nursing and other Para Medical students. Apart from 1200 bedded Goa Medical College Hospital at Bambolim, a 80 bedded Tuberculosis and Chest Disease Hospital at St. Inez, Panaji and 20 bedded Primary Health Centre at Mandur is attached to it. Entire complex at Bambolim is spread in an area of 11,34,798 Sq.mts.

**2. Organizational Chart of the Department:**

The college is headed by the Dean. The college comprises of four sections viz. i) Administration, ii) Accounts, iii) Academic Section and iv) Medical Section. Administration section is headed by the Director (Admn.), Accounts section is headed by Jt. Director, Academic section consists of medical departments and Superspeciality Departments and Medical Section consists of Hospital Administration and Nursing. The Organizational chart is enclosed.

**3. Functions and Duties carried out by the Department:**

Goa Medical College has 3 important functions.

- i) Medical teaching of Undergraduate and Post Graduate students.
- ii) Patient care.
- iii) Research

To achieve this Goa Medical College has:

**a) Facilities at the Hospital:**

Goa Medical College & Hospital, Bambolim Goa has the facilities in General Medicine, General Surgery, Orthopedic Surgery, Ophthalmology, ENT, Skin & VD, Obstetric & Gynaecology, Paediatric and Super – Specialties in Neurosurgery, Neurology and Nephrology. Investigation facilities in Radiology, Microbiology, Pathology and Biochemistry are available at the hospital. For Cancer patients facilities in Radiotherapy are also available. The Department of Anesthesiology backing up the surgical specialties. There are 12 Routine operation theaters and 6 Emergency Operation theatres. Department of TB & CD is functioning at St.Inez Panaji Goa.

**b) Equipments for providing medical services:**

The Hospital is equipped with all basic as well as Hi-tech equipments. The Radiology department is equipped with 6 slice CT Scan and 1.5 Tesla MRI, besides color Doppler, Ultra Sound and X- ray Machines. A stress test and ECHO Machine Auto Analyzer are available in the Department of Medicine and Biochemical Laboratory. Also the facilities for ECG and EMG are available.

**4. Acts and Rules implemented by the Department:**

Goa Medical College is regulated by:

- i) Medical Council of India Rules.
- ii) Goa University Rules

Goa Medical College has followed all the Rules in total.

**5. Vision For Future:**

1. To Start Cardiology and Cardiothoracic surgery unit at Goa Medical College.
2. To Buy cardiac cath equipment.
3. To Prepare for increase in PG sets in all subjects.
4. To Construct Additional Lecture Hall with capacity of 180 and 350 each.
5. To Construct Auditorium of Size of 1200 Sq.m.
6. To Construct Girls hostel with a capacity of 150 students.
7. To Develop Sports ground for students.
8. To Commission Biomedical Waste Disposal plant.

### 13.05.04 GOA DENTAL COLLEGE AND HOSPITAL

#### 1. Functions and duties carried by the Department.

The Institution imparts five years degree of Bachelor of Dental Surgery (B.D.S.). The Institution is affiliated to the Goa University. The total number of graduates passed out from B.D.S. course are 731. To provide higher education to the dental graduates of this Institution and to improve the employment potential for the dental manpower generated Post-graduate (M.D.S.) course in the following specialities have been started:

i)	Prosthodontics	...	3 Seats
ii)	Orthodontics	...	2 Seats
iii)	Oral Medicine & Radiology	...	2 Seats
iv)	Periodontics	...	2 Seats
v)	Conservative Dentistry (Operative Dentistry)	...	2 Seats
vi)	Oral & Maxillofacial Surgery	...	2 Seats
vii)	Oral Pathology & Microbiology	...	<u>2 Seats</u>
	Total :	...	<u>15 Seats</u>

The M.D.S. course is of 3 years after B.D.S. degree. The total number of Postgraduates passed out from the Institution are 106 in above specialities from (i) to (v).

The institution acts as a referral apex body for advice regarding general dental services in the State and since 1980, it has been rendering specialized dental services to the people of the State of Goa. Around 90,000 patients have been treated in this Institution, out of which 750 to 800 number of patients were indoor patients.

Dental camps etc. are also being held at remote areas. Mobile Dental Van fully equipped with the state of art facilities has been inaugurated on 27/08/11. The van is used to impart basic Dental Care to the far flung areas of Goa, where people who are unable to reach the Dental Institution can avail of dental care facilities. Health camps, School dental checkups are being carried out on a regular basis.

**2. Acts and Rules implemented by the Department:**

The Institution is recognized by Dental Council of India (D.C.I.) and affiliated to Goa University.

All Government rules i.e. service and other rules as implemented by the Goa State Government are applicable to the Institution. In addition, DCI Regulations in respect of the courses imparted by the Institution are also applicable which are as under:-

The general Government Rules are applicable to this Institution being a State Government Office. In addition, the following Rules are implemented by the Institution:-

- a) The Goa (Rules for admission for the Post Graduate Degree Courses of the Goa University at the Goa Dental College & Hospital) Rules 1998 and subsequent Amendment Rules framed by the Government.
- b) Recruitment Rules for various posts framed for the Institution for recruitment of staff viz. Group 'A' & 'B' Gazetted Post, Senior/Junior Residents, Other Group 'C' & 'D' in addition to Government Recruitment Rules for common categories of posts. The following Dental Council of India Regulations are also applicable for this Institution.
  - i. Dental Council of India BDS Course Regulations
  - ii. Dental Council of India MDS Course Regulations
  - iii. Dental Council of India (Establishment of New Dental Colleges, Opening of New or higher course of study or training and increase of admission in Dental College) Regulations, 2006.

**3. Vision for Future:**

In order to meet the minimum requirement B.D.S. and M.D.S. courses as laid down in the Dental Council of India, it is proposed to expand infrastructural facilities Therefore, the work of construction of Phase-II of the College Building has been taken up through Goa State Infrastructure Development Corporation Ltd.

**13.05.05      INSTITUTE OF PSYCHIATRY AND HUMAN BEHAVIOUR****1.    Introduction:**

The Institute of Psychiatry and Human Behaviour is a Psychiatric Hospital and provide medical care to all patients who come to IPHB and also gives quality care to mentally challenged persons.

The Institute is under administrative control of Dean, Goa Medical College, Bambolim since June 2001.

The present bed strength of the Hospital is 190. The IPHB, primarily seeks to provide preventive, curative and rehabilitative mental health services to the people of Goa and its neighboring States such as Maharashtra and Karnataka. IPHB has closed wards and also open wards for male and female patients separately. In open wards patients have to be accompanied by relatives or careers.

**2.    Organizational chart of the Department;**

The Institute is headed by the Director. Institute comprises of four sections viz. Administration, Office of Medical Superintendent, Rehabilitation and Social Worker Branch and Academic Section. Dy. Director(Admn.) is incharge of Administration/ Establishment section. Medical Superintendent is incharge of Office of Medical Superintendent. Rehabilitation and Social Worker Branch is under the charge of Psychiatric and Social Worker and the Academic section is looked after by Professor.

**3.    Acts and Rules implemented by the Department.**

The Institute of Psychiatry and Human Behaviour has implemented the Mental Health Act, 1987 and the State Mental Health Rules, 1990. All the admissions and discharges of patients at the Institute of Psychiatry and Human Behaviour, Bambolim are done as per Mental Health Act, 1987 and the State Mental Health Rules, 1990.



## **13.06 DIRECTORATE OF AGRICULTURE**

### **13.06.01. INTRODUCTION: -**

The Agriculture, Horticulture and all related activities are planned, executed and monitored by Govt. of Goa through the Directorate of Agriculture which has its head office at Krishi Bhavan Tonca-Caranzalem, Goa. The Directorate functions through the various Taluka level and other offices located in different parts of the state.

### **13.06.02. ORAGANISTION SET UP**

The Director who is in charge\_of the Directorate is Ex-Officio Joint Secretary to the Government. As the Budget Controlling Authority, he exercises all the financial powers as provided under the delegation of Financial Power Rules, 2008. Five Deputy Directors, viz. DDA (Horticulture), DDA (Plant Protection), DDA (Agronomy), DDA (Watershed), and DDA (Farms) are functioning at Headquarters. There are six Assistant Director of Agriculture, ten Agricultural Officers, one Dy. Director (Administration), one Accounts Officer, one Research Assistant and one Section Officer at the Headquarters.

The Zonal Agricultural Offices are managed by a Zonal Agricultural Officer who is overall in charge of the Zonal Agricultural Office at the Taluka level and exercises financial powers. He is also responsible to monitor implementation of the developmental programme of the Directorate for the welfare of the farmers. There are 10 Zonal Agricultural offices functioning at each Talukas.

The superintendent is in charge of the Kalay and Codar Farms who is responsible to plan and execute programmes. He monitors the activities of the agricultural/horticultural planting material and seed for sale or supply to the farmers. He organizes the crop demonstration, trials and commercial production of crops of the farm.

The Farmers Training Centre at Ela, Old Goa also conducts institutional trainings and off campus training programmes besides testing of soil analysis.

Five Mechanical Cultivation Offices are stationed at Tonca-Caranzalem, Mapusa, Curchore, Valpoi & Margao. The officer in charge has to monitor the working, repairs and hiring of all agriculture machinery of the Directorate. The custom service for mechanization is provided at source and agriculture mechanization is promoted in private and co-operative sector.

**13.06.03. DUTIES AND FUNCTIONS:**

- (i) Planning, execution and monitoring of the agricultural development programmed in accordant with state and central sector policies on agriculture.
- (ii) To advice the Government in Planning of Agricultural policies.
- (iii) To take suitable measures for the welfare of the farmer for the state of Goa.
- (iv) To exercise appropriate budgetary control on Agricultural development programme and other activities assigned to the Directorate of Agriculture.
- (v) To enforce acts & rules as enforced by state and central Government from time to time.
- (vi) To execute and take appropriate actions as per the direction and decisions of the Government as and when assigned.

**13.06.04. ACTS AND RULES IMPLEMENTED BY THE DEPARTMENT:**

- (i) The Goa Oil Palm (regulation of Production and Processing) Act, 1998 (Goa Act 23 of 1998). It regulates the problems faced by the oil palm processing industry in implementation of State and Central sector schemes and decides on the revision of Fresh Fruit Bunches rates to oil palm growers.
- (ii) The Seeds Act, 1966 and Seeds Rules, alongwith the rules as well as Seed Control Order 1983 and its amendments seek to regulate the quality of all notified seeds.
- (iii) The Goa Fruit and Ornamental Plant Nurseries (Regulation) Act 1995. (Goa Act 13 of 1997) provides for the regulation of fruit and ornamental plant nurseries in the State of Goa.
- (iv) The Fertilizer Control Order 1985 red with Essential Commodities Act 1955 as amended from time to time.
- (v) The Insecticides Act, 1968/Insecticides (Amended) Act, 2000.

**13.07 CHIEF CONSERVATOR OF FOREST DEPARTMENT**

**13.07.01. Introduction:**

The Forest cover in the State is higher than the goal set by the National Forest Policy, 1988. This has been made possible due to the conservation ethos of the people of Goa, which has been supported by the most egalitarian and enlightened policy pursued by the State Government throughout. The total forest area in Goa is 1424.46 sq. km, out of which, 1224.46 sq. km. is Government Forest and the rest is private. Of the total Forest area, about 62% has been brought under the Protected Areas (PA) of Wildlife Sanctuaries and National Parks. These areas support and nurture a variety of ecosystems and a prodigality of life forms – both floral and faunal, particularly in Western Ghat areas of the State located in Sanguem, Canacona, Quepem, Ponda and Sattari Talukas.

**13.07.02. Organizational chart of the Department:**

The Department is headed by the Addl. Principal Chief Conservator of Forests. There is one Chief Conservator of Forests, two Conservators of Forests and 2 Dy. Conservators of Forests in the Department. There are two territorial Divisions and 2 Division for looking after aspects of Wildlife & Eco-tourism one each of North and South Goa, Research and Utilization, Working Plan, Soil Conservation, Social Forestry. All the Divisions are headed by a Deputy Conservator of Forests. Organizational chart of the Department is enclosed.

**13.07.03. Functions & Duties carried out by the Department:**

The Department protects and conserves the Government Forests as well as regulates felling of trees in private areas. Besides the Department takes up plantation, regeneration works in available blank areas and degraded forests. Protection of Wildlife is another important aspect. There is one national Park and six Sanctuaries in the State of Goa bringing 62% of the forest area under Protection areas network.

The Department performs a number of development activities like Rehabilitation of degraded forest, afforestation of denuded lands under Government, Private or Community Ownership Urban Forestry, Employment

generation especially in rural and isolated pockets, Construction and maintenance of Building and Roads in Forest areas, supply of Timber, Fuel wood, Soil and Water Conservation, Development of Tourism in wildness areas, Environmental Education, Protection of Wildlife and Development of habitat are some of the important Development activities.

The Forest Department is extending service in the following fields and by this charter, the Department seeks to provide frame works and information which enables the public to know about:-

- A) Felling and removal of trees in a private property by an individual / company;
- B) Concerning reservation of cottages at Wildlife Sanctuaries / National Parks;
- C) Entry to the public/school children and tour operators to the Sanctuaries / Parks;
- D) Distribution of seedling during Vanamahotsava;
- E) Enforcement of Indian Forest Act, 1927 and remedies available;
- F) Enforcement of Wildlife (Protection) Act, 1972;
- G) Issue of saw mill licenses, NOC for carpentry units;
- H) Issue of transit passes for transport of Forest produce anywhere in the State and outside the State.

**13.07.04. Acts and Rules implemented by the Department:**

The Forest Department as custodian of the Government Forest lands performs both regulatory and developmental functions. The main legislations enforced by the Department are “**The Indian Forest Act, 1927**”, “**The Wildlife (Protection) Act, 1972**”, “**The Goa Preservation of Trees Act, 1984**” and “**The Forest (Conservation) Act, 1980**” for Preservation and Conservation of the Flora and Fauna of the State.

## **13.08 Goa Electricity Department**

### **13.08.01. Goa Electricity Department:**

The Goa Electricity Department is responsible for purchase of power from central grid and transmission and distribution of the same to consumers. The Electricity Department is the only licensee in the state of Goa for transmission and distribution of Electrical Energy. The Department of Electricity (DoE) was formed in 1963, under the Government of Goa, Daman & Diu.

### **13.08.02. Departmental Setup:**

The Department is headed by the Chief Electrical Engineer (CEE) and assisted by four Superintending Engineers, Deputy Director (Administration), Jt. Director of Accounts and Executive Engineers. There are 17 divisional offices under the Department, of which nine are engaged in the distribution of power. There are two Circle offices headed by Superintending Engineer and 17 Division offices headed by Executive Engineers. Each Division office is having Sub-Division offices each headed by an Asst. Engineer.

### **13.08.03. Functions of the Department:**

The DoE does not have its own power generation units and the Department is carrying out the transmission and distribution of electrical energy. There are no direct link lines between the generating station of NTPC and Goa and hence the NTPC power is availed through the Grids of the neighbouring state of Maharashtra and Karnataka. The Electricity Department pays wheeling charges to Maharashtra State Electricity Board and KPTCC for using their line network for transmission of power from NTPC generating stations to Goa. The Department also buys power from Reliance Energy Ltd, GSPL, PTC Ltd. etc. The power supply thus received is distributed through a network of transmission and distribution lines to all consumers. The Department is at present catering to the needs of around 6 lakh consumers. The Department has achieved 100% rural electrification by electrifying 347 villages.

The power from the Western region is wheeled from the MSEBS 400 KV Sub-Station at Kolhapur to the 400 KV Sub-Station at Colvale in Goa from where the power is transmitted at 220KV level to Ponda and Thivim substations of the Department. From the Southern region power is transmitted from Nagjhari to Ponda. The Department has adopted Voltages of 220KV, 110KV and 33KV for sub transmission and 11KV and 440 volts for distribution purpose.

The Department has adopted overhead line system for transmission and distribution except for Panaji town where part of the area is covered by underground system. The remaining parts of Panaji and Margao town are now being provided with underground network. All the towns and villages of Goa are electrified and any intending consumer can avail power supply by submitting requisition in the prescribed form to the appropriate office of the Department subject to fulfilling the required conditions and payment of charges as per conditions of supply of Electrical Energy and miscellaneous charges.

The power supply to the new consumers is released on single phase, 230 Volts for connected load up to 3 KW and on three phase, 400 volts for connected loads above 3KW but less than 70KVA/HP connected for a single consumer. The power supply for connected loads/contract demands above 70KVA but less than 100KVA is released at a voltage of 11KV and above 1000KVA the same is released at 33 KV voltage. The Chief Electrical Engineer has however discretionary powers to release power supply at other voltages irrespective of connected load.

**13.08.04. Classification:**

The Department's consumers are broadly divided into two categories viz High Tension (HT) consumers and Low Tension (LT) consumers. Further, the seventeen Divisions under this Department are broadly sub-divided into four categories as under based on its function:

1. Operation & Maintenance
2. Procurement
3. Store
4. Power Purchase

## **13.09 WATER RESOURCES DEPARTMENT**

### **13.09.01 Introduction:**

The Water Resources Department, formerly known as Irrigation Department was a part of the Public Works Department (PWD) even prior to liberation of the State of Goa from Portuguese rule. Eventually, certain Divisions/Circles were carved out from the earlier composite Public Works Department and an independent Irrigation Department was formed on 1/7/1981. Subsequently, it was renamed as Water Resources Department.

### **13.09.02 Organizational chart of the Department:**

The Water Resources Department is headed by the Chief Engineer and assisted by 1 Additional Chief Engineer (Madei River Inter State Dispute) heading the Madei Cell, 4 Superintending Engineers heading Circle Offices and the Central Planning Organization, 10 Executive Engineers heading Divisional Offices and assisted by Assistant Engineers heading Sub-divisional Offices. The Chief Engineer is assisted in his office by the Engineering Officer, Deputy Director (Administration) and the Assistant Accounts Officer heading their respective sections.

The Goa Tillari Irrigation Development Corporation (GTIDC) is headed by the Chairman and assisted by the Additional Chief Engineer (Project) who is the ex-officio Managing Director, 1 Superintending Engineer heading a Circle and a Superintending Surveyor of Works, 3 Executive Engineers heading Divisional Offices and Assistant Engineers heading Sub-divisions located in Bardez, Bicholim and Pernem talukas. The hierarchal organizational chart of the Department and GTIDC is enclosed.

### **13.09.03 Functions and Duties carried out by the Department:**

The Water Resources Department is in-charge of management, monitoring and development of the water resources in the State of Goa in the sweet water zone. The main function of the Department is optimum, integrated development of the available water resources and its judicious utilization in a scientific and

sustainable manner as well as to provide infrastructure facilities. The activities of the Water Resources Department are mainly classified as under:

- Major and Medium Irrigation.
- Minor Irrigation including surface as well as ground water
- Flood Control, Anti-sea Erosion and Drainage including anti-landslide.
- Command Area Development in the commands of Salaulim, Tillari and Anjunem Irrigation Projects, covering an area of 24,422 Ha in the State by providing infrastructure and water distribution works for optimal utilization of water for irrigation and to increase crop productivity per unit area.
- Implementation and Development of Minor Irrigation schemes in the Hill Areas/Western Regions of Sattari, Sanguem and Canacona talukas under the Western Ghats Development Programme.
- Protection of interests of Goa State in the Madei River Inter State Dispute in the Mandovi Inter - State River Water Disputes Tribunal to resolve the dispute.

#### **13.09.04      Acts and Rules implemented by the Department:**

##### **State Acts:**

1. The Goa Irrigation Act, 1973.
2. The Goa Command Area Development Act, 1997.
3. The Goa Tillari Irrigation Development Corporation Act, 1999.
4. The Goa Ground Water Regulation Act, 2002.
5. The Right to Information Act, 2005.

##### **Rules:**

1. The Goa Irrigation Rules, 1975.
2. The Goa Command Area Development Rules, 1999.
3. The Goa Tillari Irrigation Development Corporation Rules, 1999.
4. The Goa Ground Water Regulation Rules, 2003.
5. The Goa Ground Water Regulation (Amendment) Rules, 2005.



## **13.10 DIRECTORATE OF EDUCATION**

### **13.10.01 Introduction:**

The education system in Goa is effectively streamlined in keeping with the National Curricular Framework 2005 (NCF 2005) to upgrade the quality of education at all levels. The state has already implemented the R.T.E. Act, 2009 to ensure that no child in the age group of 6-14 years remains out of school. For the proper and effective implementation of the R.T.E. Act, 2009, Goa R.T.E. Rules, 2012 have been notified.

Though the State of Goa has recorded 87.4% (P)\* literacy and a high attainment level, the need of the hour is to reinforce its educational policy towards bridging regional and gender gaps, reducing the drop-out rate, emphasizing skill development and vocational programmes to curb unemployment, improving quality of education, infrastructure development in schools, orientation of teachers, computer integrated education and upgradation of libraries.

### **13.10.02. Organizational chart of the Department:**

#### **Organizational Set-up**

The Directorate of Education deals with the organization, development and regulation of School Education in the State of Goa under the provisions of the Goa, Daman & Diu School Education Act, 1984 and rules made there under. The educational structure of the State consists of primary, middle, secondary and higher secondary education.

#### **Directorate Level**

It is headed by Director of Education who is Ex-officio Joint Secretary (Education) and is assisted by Director (Administration), Joint Director of Accounts, three Deputy Directors of Education for Planning/Vocational, Academic, and Adult Sections, six Assistant Directors of Education, Vocational Education Officer and Environmental Education Officer.

#### **District Level**

Goa has two districts viz. North Goa and South Goa. However for educational purposes the State has been divided into three educational zones.

Each zone comprising of three to four talukas / blocks. The headquarters of these zonal offices are (a) at Panaji for the Central Zone covering Tiswadi, Ponda and Sanguem talukas / blocks; (b) at Margao for the South Zone covering Canacona, Quepem, Salcete and Mormugao talukas / blocks; and (c) at Mapusa for the North Zone covering Pernem, Bardez, Bicholim and Sattari talukas / blocks. Each zonal office is headed by a Deputy Director of Education. He is assisted by an Assistant Director of Education and a Deputy Education Officer who looks after academic matters.

#### **Taluka / Block Level**

At the block level, three / four Assistant District Educational Inspectors look after the work of administration, supervision, coordination, monitoring, etc. under the supervision and guidance of the Assistant Directors of Education in charge of the respective zones.

All the ADEIs are of the same rank and generally the senior most ADEI manages the block level education office and also functions as a drawing and disbursing officer for all government primary and middle school teachers and office staff.

#### **13.10.03. Functions and duties carried out by the Department:**

- (i) The Directorate of Education looks after the entire School Education System, its process and it's working in the State of Goa. This includes the implementation of various Acts, Rules & Regulations and the procedures laid down by the State Government, as well as the Government of India.
- (ii) The Directorate of Education is involved in the Recruitment(s) / Creation(s) / Continuation(s) / Extension(s) / Revival and Promotion(s) of Government and Government Aided teaching & non-teaching staff. This also includes issue of various NOC's pertaining to the School Education sector as a whole.
- (iii) The Department also issues various Circulars, guidelines and notifications from time to time pertaining to the Acts, Rules & Regulations.
- (iv) Effective and timely implementation of various schemes of the Government of Goa and the Government of India, so as to reach to all the beneficiaries at micro level.

**13.10.04. Acts and Rules implemented by the Department:**

**(i) Education Board Act and Rules 1975**

- a) To grant and to withdraw recognition to the secondary and higher secondary schools.
- b) To advise the Government of matters of policy relating to secondary and higher secondary education in general and on the following matters in particulars.
- c) Ensuring a uniform pattern of education.
- d) Maintaining of a uniform standard of education in secondary and higher secondary school.
- e) Co – ordination between the national policies and the policies of the territory in respect of secondary and higher secondary education.
- f) Co – ordination between primary, secondary, higher secondary and university education.

**(ii) Goa School Education Act, 1984**

To provide for better organisation and development of School Education the Govt. Of Goa has enacted the Goa School Education Act, 1984.

**(iii) Goa Education Rules, 1986**

To provide for the smooth implementation and functioning of the schools as per the Goa School Education Act, 1984, the Goa School Education Rules, 1986 were framed.

**(iv) Right to Education Act, 2009**

MHRD, Govt. Of India has enacted Right of Children to free and Compulsory Education Act, 2009 (RTE Act, 2009) extending to whole of India except Jammu & Kashmir. The Act has come into force on 1<sup>st</sup> April 2010. The Act is to provide free and compulsory Education to all children of age group of 6 years to 14 years.

Under this Act, the Govt. of Goa has notified the Goa Right to Free and Compulsory Education Rules, 2012 as per the Section 38 of the RTE Act, 2009.

*Forms*

**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
					2010-11	2011-12	2012-13		

**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

**Forms**

**FORM III**  
**Resister 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.	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
				From	To										
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16

**FORM IV**

**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 issue 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

## REGISTER FOR WATCHING RECOVERY OF COST OF AUDIT

(See Para 1.07 (viii))

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

*Forms*

**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)

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

**Forms**

**FORM IX**

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

(Vide Para 3.40)

No. of paras outstanding:

No. of paras cleared:

Name of institution

Period of Report

File No:

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

**FORM X**

**Schedule of irregularities settled on spot**

(Vide Para 8.01, 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	Remarks
					Result of verification of action promised	
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 Audit Reports: (Expenditure Audit)**  
**(See para 8.06)**

**Section I [to be filled in by the Asst. Audit Officer (field party)]**

1. Name of the Office / Institution :
2. Period of accounts covered by inspection :
3. Name of G.O. :  
Name of SO.I/AAO :  
Name of SO.II/Auditor :  
Name of Auditor :
4. Particulars of work allotted (To be detailed in separate annexure) :
5. Dates of actual inspection :
6. Dates of last inspection :
7. Whether all the document /IR/ TAN required for audit were  
Received in time (if not please specify documents not received) :
8. Month selected for audit :
9. Please state whether the report contains the following : Page Nos. No. of  
paras  
(a) Audit Report I – B  
C  
II- A  
B  
IV – Non Tax Revenue  
(b) Test Audit Note / Part. III :  
(c) Memorandum of Points settled on the :  
(d) Non. Of Half Margin memos issued on the spot and attached  
to the Report (Each objection in (a)(b)(c) above should be  
supported by a half margin with reply :  
(e) Rough sheets  
(f) Any office notes etc.  
10. Special remarks of SO/GO on the following :  
(a) Adequacy of otherwise the No of mandays allotted with justification :  
(b) Remarks on the General State of accounts :  
(c) Original work done by Supervising Officer :
11. No. of cases of embezzlement / fraud / misappropriation etc.

**Manual of Outside Audit Department**

- Detected in audit with reference to para No. of the report and  
Names of auditors who detected it
12. Suggestions for amendment to OAD Manual :
13. Whether any irregularity that could have been noticed in central audit  
Has been detected during local audit, please give reference to para  
Number in the report. :
14. (a) No. of Non-gazetted government servants in the office inspected  
(to be ascertained in writing) :  
(b) No. of Service books and leave accounts actually checked. :
15. Paras for inclusion (with names of those who initiated the para)  
(a) In register of financial irregularities :  
(b) Para fit for inclusion in Digest of important and interesting cases :  
(c) No. of draft para submitted to Sr. DAG direct (give reference to  
Pars in the DAR)
16. Certificates whether:  
(i) The prescribed checks and percentage where exercised (in case  
additional checks may be enclosed) :  
(ii) The arrangements for the realization withdrawal, custody and  
Remittance of case and the accounting thereof are in conformity :  
(iii) The case Book was balanced on the date of inspection and cash  
In hand to be verified by the officer in charge to test the  
Correctness of the cash position :  
(iv) It was verified with reference to the financial rules, departmental  
Manual, or standing order or instruction that the work of  
Compilations internal checks etc. is actually attended to by the  
Officials concerned :  
(v) The points marked for special scrutiny during local audit were  
examined and the results of these examinations are indicated in  
the special note enclosed. :  
(vi) The accounts of the Festival advance were test check in the audit  
And remarks raised wherever necessary (Ref to audit para to be  
Given) :  
(vii) The P.F Accounts of class IV have been checked as prescribed  
And result communicated to AAO/PF :

**Forms**

- (i) Date of forwarding the central audit. :
- (ii) Name of the So / Auditor deputed for check of remittances with  
Records of the Treasury, date on which checking was done and  
the name of the treasury. :  
In case the remittance into Treasury could not be checked reasons thereof,  
number and the date of the letter address to ITO for verification report  
(O.O No. OA/Genl/81/29317 dated 31/01/1969) :
- (iii) Whether the arithmetical accuracy for the entire period covered by  
the audit was checked (O.O No. OA/Genl/81/29317 dated 31/01/1969) :
- (iv) Whether 50% of the receipts during the period covered by audit  
Was checked (O.O No. OA/Genl/81/29317 dated 31/01/1969) :
- (v) Whether the report was discussed with head of the office, if not  
Reasons thereof and designation of the Official with whom the  
Report was discussed. :
- (vi) Contingent / works expenditure of the office for the last three years

<b>Sr. No.</b>	<b>Year</b>	<b>Contingent Expenditure</b>	<b>Works Expenditure</b>
1.	2010-11		
2.	2011-12		
3.	2012-13		

- (vii) (A) Postal address of the office inspected :
- (B) Telegraphic address :
- (C) Telephone No. :

**Audit Officer/Field Party**



**SECTION II**  
**(To be filled in by OAD – Head Quarters)**

1. Date of receipt of Inspection Report /  
Test Audit Note / Part II in OAD – Hqrs  
(Report received in time / days late)
2. Programme, progress register Item No.  
Passed on to on Auditor's progress register  
Page No. Item No.  
Programme Clerk Page No.  
 Auditor
3. Certified tht the statement of  
Expenditure attached to the questionnaire  
Has been reviewed and periodicity change from  
Note taken in the Register of Auditors.
4. Certified that the DAR is addressed General Clerk  
Properly and copies endorsed to the  
Concerned authorities  
General Clerk
5. Quantum of audit has /has not been adhered to
6. The SA has not furnished the following documents:
  - (a) Certificate
  - (b) Half margin memos
  - (c) Check of leave accounts
  - (d) Special compliance in respect of previous IRs / Tan  
Money value entered at page.....of Objection Book  
(See CAG's No. ....)
7. The following paras are noted in respective registers:
  - (a) Register of interesting cases to be  
Circulated to field parties
  - (b) Register of common types of irregularities
  - (c) Cases of failure of Central Audit
  - (d) Progress Register

**SECTION – IV**

1. Date of submission of AG/DAG

2. Order of GO / DAG

Para to be reported to Government

Head of

Department by special letter noted in register

of

Financial irregularities

GO

3. Date of receipt back from GO/DAG

4. Date of issue to typist

5. Date of receipt back duly typed

6. Date of completion of comparing etc.

7. I.R. issued under No. AG/Goa

Date

Noted issue in progress register

Page No.

Programme clerk

8. Number and Date reminder due (to be

Marked)

9. Date of final closing of objection

Report / Test Audit Note

**Group Officer**

**FORM XII**

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

(Vide Para 8.12 (i))

Sl. No.	Reference 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 :  
Add balance from previous month:

Totals of columns 4 to 8

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

*Forms*

**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**

**Format of weekly Diary**

(Vide Para 3.22)

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**

**Register of weekly diaries of Shri.....Section Officer / Auditor**

(Vide Annexure I (ix) of Chapter 2 )

Week ending	Holidays, if any, during the week	Date on which Diary is received	Remarks

**FORM XVI**

**Register of Performance – cum – selection on 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 (PI see Para. 8.08(i))	Amount (Rs. In lakh)	Name of official who contributed the para			

**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



**FORM XVIII**  
**Scrutiny Note**  
(Vide para 8.07)

**: Date of completion of audit**

- (1) Name of office Inspected :
- (2) Period covered by Audit :
- (3) Inspecting Officer :
- (4) Section Officer / AAO :
- (5) Whether the Report has been sent in time (to reach OAD) :
- (6) Whether Old objections have been analysed critically and self  
Contained paras incorporated in the report :
- (7) Whether HMs have been issued in all cases? Whether the  
Replies of the department have been incorporated :
- (8) Whether Rules and orders have been quoted in support of Objection :
- (9) Whether cross reference of the HMs together with the name of  
The originator have been indicated against the relevant paras :
- (10) Whether the questionnaires have been filled properly?
- (11) Whether six copies of the enclosures to the draft report have  
been attached? :
- (12) Whether list of items not settled on the spot added to Part –III?:
- (13) Whether copies of the documents have been obtained and attached?:
- (14) Whether FA Deposit & GPF accounts of class IV have been  
checked and commented upon if necessary? :
- (15) Whether prescribed percentage of SBs leave accounts and  
Pay fixation has been checked ? :
- (16) Whether check of remittances into Treasury for the month  
Selected has been done? :
- (17) Other remarks :

Objection Book:

Page No.

Para No. of AR

Item No. of OB.

**Section Officer**

**Audit Officer**

**Dy. Accountant General (Audit)**

### **Note**

The OAD Manual of AG, Goa is now ready for printing. A proto type copy as approved by AG is placed in the file kept below. It has approx 265 pgs. Indents, header, footer, sub-heading, fonts, paragraph & Paragraph numbering have been adhered to as per the IA&AD style guide. A preface has also been prepared (see flag A of file kept below) which is proposed to be signed & dated by AG. The Table of contents is as per the chapters that follow sequentially.

It is proposed to take 10 printouts from our PC of the manual and have it bound in hard board cover to safeguard against constant use. Contacted M/s Talker Stationeries is Panaji. They do the binding of book and the charges are approx. ` 120 per book. It is therefore proposed to get 10 copies initially for all the sections of the office. The total cost of printing of the OAD manual (10 copies) would be `1200/- If approved the copies will be given for binding after taking print outs.

## Table of Contents

### Chapter 1 Constitution and Functions

	<i>Para</i>	<i>Page</i>
1. Introduction	1.01	1
2. Audit Functions of the Accountant General, Goa	1.02	1
3. Organisational Structure	1.03	1
4. Outside Audit Dept. constituted for / its duties	1.04 to 1.05	4-5
5. Extracts of Sec.13-20 of CAG's Act, 1971	Annexure I	6-10
6. Selection of staff for Inspection Works	1.06	11
7. Levy of fee for the audit of the accounts of Non-Governmental Funds	1.07	11-14
8. Daily rates of Audit Fees	Annexure II	15

### Chapter 2 Duties of Headquarters Sections

	<i>Para</i>	<i>Page</i>
1. Main duties of Headquarters section	2.01	16
2. Programme of audit of the Outside Audit Dept.	2.02	17-20
3. Intimation regarding taking up of audit	2.03	20
4. Tour Programme of Group supervising Officers/ Audit Officers	2.04	21
5. Maintenance of file of Circulars/Instructions	2.05	21
6. Calendar of Returns	2.06	21
7. Registers maintained in Headquarters Section	Annexure I	22-25
8. Audit Intimation/Questionnaire	Annexure II	26-34

### Chapter 3 Procedure during Inspection

	<i>Para</i>	<i>Page</i>
1. Scope of inspection and local audit	3.01	35
2. Code of ethics	3.03(c)	36
Power to make independent enquiries	3.11	43
4. Papers to be sent for audit	3.13	44
5. Distribution of work among the members of the party	3.14	44
6. Entry meeting	3.17	45
7. Attendance Register	3.18	45
8. Availing of holidays	3.19	45
9. Grant of casual leave and restricted holidays	3.21	46
10. Submission of weekly diaries	3.22	47
11. Submission of charge reports	3.23	48
12. Objections and Audit query statements	3.24	48
13. Issue of Audit query statements	3.27	49
14. Audit Evidence	3.29	51

15.	Departmental Inspection Reports and their utilisation	3.35	52
16.	Internal control system in government depts.	3.36	53-56
17.	Settlement of previous inspection reports	3.37	57
18.	Verification Note	Form A	58
19.	Demarcation of duties for personnel in Inspection parties		59
20.	Duty list	Annexure I	61
21.	Internal control mechanism	Annexure II	62-67

#### **Chapter 4**

#### **Principles and Progress of Audit**

	<i>Para</i>	<i>Page</i>
1.	General principles	4.01 68
2.	Audit of Demand Register	4.03 69
3.	Audit of Receipt Books	4.04 69
4.	Audit of Expenditure	4.05 70
5.	Audit of Establishment Vouchers	4.06 71
6.	Audit of contingent vouchers	4.07 72
7.	Audit of Abstract Contingent Bills	4.08 73
8.	Audit of Contingent Register	4.09 74
9.	Audit of Travelling Allowance Bills	4.10 75
10.	Audit of vouchers relating to overtime allowances	4.11 75
11.	Check of Permanent Advance	4.12 75
12.	Treasury Bill Book	4.13 75
13.	Stamp Account	4.14 75
14.	Cash Account	4.15 76
15.	Cash verification	4.16 77
16.	Accounting of non-Government money	4.17 78
17.	Audit of Property Account	4.18 78
18.	Stores and stock account	4.19 79
19.	Purchase of stores	4.20 80
20.	Custody and issue / disposal of stores	4.21 81
21.	Audit of contracts and agreements	4.22 83
22.	Security deposits	4.23 84
23.	Acquittance rolls of establishment	4.24 85
24.	Check of log books etc. of Government vehicles	4.25 85
25.	Proforma Accounts	4.26 85
26.	Audit of centrally assisted/ sponsored schemes	4.27 87
27.	Audit of deposit repayment vouchers	4.28 88
28.	Dealing with fraud and corruption	4.29 88-90

#### **Chapter 5**

#### **Verification of Services Books, leave accounts and increments**

	<i>Para</i>	<i>Page</i>
1.	Quantum of check	5.02 91
2.	Check of Service Books and leave accounts	5.03 93
3.	Register for recording special kinds of leaves	5.05 95
4.	Check of retention in service beyond the	5.06 94

	date of superannuation		
5.	Personal claims of state government officers	5.07	94
6.	Issue of audit enquiry regarding recovery of excess payments etc.	5.08	94

## **Chapter 6 Audit of Loans**

		<i>Para</i>	<i>Page</i>
1.	Scope of audit	6.02	96
2.	Accounts records	6.03	96
3.	Process of audit	6.04	97
4.	Loans under the Low Income Group Housing Scheme and Middle Income Group Housing Scheme.	6.05	98
5.	Inspection Reports	6.06	98
6.	Material to be collected for the Audit Report	6.07	98
7.	Material to be collected for Audit Report	Annexure	99-100

## **Chapter 7 Audit of autonomous bodies**

		<i>Para</i>	<i>Page</i>
1.	Entrustment of audit	7.04	102
2.	Time Frame	7.05	103
3.	Checking of accounts received	7.06	103
4.	Arrangement of audit	7.07	104
5.	Audit and certification	7.08	104
6.	Audit procedure	7.09	105-111
7.	Internal control system of autonomous bodies	7.10	111
8.	Format of Separate Audit Report	7.11	112-114
9.	Editing by section	7.13	115-118
10.	Inspection Reports	7.14	118
11.	Audit fees	7.15	118-119
12.	Revised format of Audit Certificate	Annexure I	120
13.	Format of Management Letter	Annexure II	120

## **Chapter 8 Results of inspection**

		<i>Para</i>	<i>Page</i>
1.	Form of the Inspection Report	8.01	128
2.	Preparation of Inspection Report	8.03	129-131
3.	Method of drawing up the Inspection Report	8.04	131-137
4.	Drafting and vetting of Inspection Report	8.05	138
5.	Submission of Inspection Report to headquarters	8.06	138-139
6.	Examination of the Inspection Report	8.07	140-143
7.	Performance of audit parties	8.08	143
8.	Forwarding of Inspection Reports	8.09(i to iii)	144
9.	Issue of Inspection Report	8.10	145

10.	Watching of objection arising out of local inspection	8.12	146
11.	Time allowed for furnishing replies to I.R.s and TANs	8.13(i & ii)	147
12.	Disposal of IR paras and closing of IR	8.13 (iii)	147
13.	Audit Committee	8.13 (iv)	148
14.	Report of important financial irregularities	8.14	150
15.	Cases fit for inclusion in the reports	8.15	151
16.	Inadequacy of financial or accounting rules	8.16	152
17.	Comments on store accounts	8.17	152
18.	Questionnaire on the maintenance of cash and stores	8.18	152
19.	Guidelines for drafting of paragraphs -- Style Guide	8.19(a)	152
20.	Processing of draft paragraphs for the Audit Report	8.19(b)	154
21.	Instructions for improving the quality of Audit Report	8.20	158-160
22.	Categorisation of Paras	Annexure	162-169

### **Chapter 9** **Integrated Audit of Departments**

	<i>Para</i>	<i>Page</i>
1.	Objective	9.01 170
2.	Approach to Integrated Audit	9.02 170-172
3.	Issue of Audit Scrutiny	9.03 172-175
4.	Internal Control	9.04 175
5.	Accountability Aspects	9.05 175

### **Chapter 10** **Information Technology Audit (IT Audit)**

	<i>Para</i>	<i>Page</i>
1.	Audit concerns associated with the use of IT Systems	10.02 176
2.	Aspect of Audit Planning	10.03 176
3.	Controls	10.04 177
4.	General control	10.05 177-180
5.	Application control	10.06 181
6.	Audit of procurement of IT Systems	10.07 182
7.	Performance audit of IT Systems	10.08 183-187

### **Chapter 11** **Statistical Sampling**

	<i>Para</i>	<i>Page</i>
1.	Statistical sampling	11.01 188-191

### **Chapter 12** **Audit of expenditure in excess of budget allotment with special mention to the role of Finance and other department**

	<i>Para</i>	<i>Page</i>
1.	Audit of expenditure in excess of budget allotment	12.01 192-196

**Chapter 13**  
**Activity and Functioning of Major Departments**

	<i>Para</i>	<i>Page</i>
1. Public Works Department	13.01	197
2. Directorate of Transport	13.02	199
3. Tourist Department	13.03	201
4. Directorate of Social Welfare	13.04	205
5. Directorate of Health Services	13.05.02	209
6. Goa Medical College & Hospital	13.05.03	213
7. Goa Dental College & Hospital	13.05.04	215
8. Institute of Psychiatry & Human Behaviour	13.05.05	217
9. Directorate of Agriculture	13.06	218
10. Chief Conservator of Forest Department	13.07	220
11. Goa Electricity Department	13.08	222
12. Water Resources Department	13.09	224
13. Directorate of Education	13.10	226

## LIST OF APPENDICES

		<i>Page</i>
1. Appendices I	Calendar of Returns	229
2. Appendices II	Demarcation of duties of personnel in Civil Inspection Parties	231
3. Appendices III	Style Guide	234
4. Appendices IV	Maintenance of Accounts of Cash & Stores	235

## LIST OF FORMS

		<i>Page</i>
1. Form I	Register of Local Audit	240
2. Form II	Register for noting points to be examined during local inspections	241
3. Form III	Register for watching the receipt and issue of Inspection Reports	242
4. Form IV	Register to watch progress in settlement of Inspection Reports	
5. Form V	Register for watching recovery of cost of audit	244
6. Form VI	Check Register of Travelling Allowance Bills	245
7. Form VII	Register of deviation in local audit programme	246
8. Form VIII	Register of documents sent to Local Audit Parties for verification	247
9. Form IX	Memo of local verification and settlement of outstanding paras in previous Inspection Reports	248
10. Form X	Schedule of irregularities Settled on the spot	249
11. Form XI	Title Sheet of the Audit Report (Expenditure Audit)	250
12. Form XII	Objection Book OAD(Hqrs.)	255
13. Form XIII	Register of items of expenditure and other items of financial irregularities for inclusion in the Appropriation Accounts of Government	256
14. Form XIV	Format of Weekly Diaries	257
15. Form XV	Register of Weekly Diaries	258
16. Form XVI	Register of Performance -cum-Selection of IR for review by AG	259
17. Form XVII	Register of Potential Draft Paras	260
18. Form XVIII	Scrutiny Note	261



**APPENDIX I**

**Calendar of returns**

**Para 2.06**

<b>Sr. No.</b>	<b>Name of Return</b>	<b>To whom due</b>	<b>When due</b>	<b>Authority</b>
<b>QUARTERLY</b>				
1.	Quarterly progress report of autonomous bodies/SAR	CAG	5 <sup>th</sup> July 5 <sup>th</sup> October 5 <sup>th</sup> January 5 <sup>th</sup> April	3-Rep(AB)/360-2000  Dated 08.01.2001
2.	Quarterly progress report	CAG	10 <sup>th</sup> of April, July, October, January	No. 254/WR/Co-ord/1622012 dt. 30 <sup>th</sup> July 2012
3.	Director of Inspection	CAG	1 <sup>st</sup> of May Aug, Nov, February	5 <sup>th</sup> 191/Inspection/324-2-1 dated nil
4.	Report on revision of manual	CAG	15 <sup>th</sup> April 15 <sup>th</sup> July 15 <sup>th</sup> October 15 <sup>th</sup> January	
<b>HALF YEARLY</b>				
1.	Half yearly reports on cases of material fraud and corruption by them to H.Qrs	CAG	5 <sup>th</sup> April 5 <sup>th</sup> Oct.	126/Audit(AP) 1-2004 dt. 6.9.06 AG's order dt. 25.09.20096
2.	Half yearly Returns-Statement on application Statistical Sampling for the period April to sept//Oct. to march	CAG	10 <sup>th</sup> April 10 <sup>th</sup> Oct.	No. 44-CAG/SA/NSO/2-2012 dt. 02.01.2012
3.	Digest of important cases noticed	CAG	7 <sup>th</sup> January 7 <sup>th</sup> July	
4.	Half yearly Progress Report reg. Imp. Of Integrated Annual plan of IA & AD for	CAG	1 <sup>st</sup> October 1 <sup>st</sup> April	280/WR/Coord/Perf.Asse t/22  7-2013 dt 2/5/2014

*Appendix*

<b>ANNUAL 2014-15</b>				
1.	Review of periodicity of entrustment of audit of non-commercial autonomous bodies coming under Section 19(3) and 20(1) of CAG's Act 1971	CAG	10 <sup>th</sup> September	No. 18-Audit 11/1985  No. 657 – Audit 11/9-84 Dated 22.05.1985
2.	List of propriety audits under Section 14, 19 and 20	CAG	1 <sup>st</sup> March	364-Audit-II/72-90 dated 17.03.2092 (Sec.I/H,Q.rs.
3.	Autonomous Bodies selecte3d for the transactions and certification audit during the year	CAG	End of February every year	20-Rep(AB)-27-84(1) dated 04.02.1999 H.Qrs Cir44 (Separate file opened)
4.	Annual return regarding identification of Autonomous Bodies (AB) & Non-Government Organizations (NGOs) and their inclusion in the Audit Plan of ensuing year.	CAG	10 <sup>th</sup> April	No. 34/Rep(AB) 27.02.2007 dated 26.02.2008
5.	Performance Report of SAI of INDIA )	CAG	15 <sup>th</sup> Aug	229/Yr. Divn/1.2012(P)  Dt, 07.08.2012
6.	Assessment of Performance of Audit office (Ranking)	CAG	5 <sup>th</sup> of July	505 wr/Co-ord/Perf.Assmt/250-2012  V/Z/19/170-PPO/II/17/2012
7.	Integrated Audit Plan	CAG	31 <sup>st</sup> July	155-WR/Coord/AP/2015-16/ 51 – 2014 dt. 26/3/2014

**APPENDIX II**  
**(Referred to in para 3.01)**

**DEMARCATIION OF DUTIES FOR PERSONNEL IN INSPECTION PARTIES**

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

**1. LOCAL AUDIT OF CIVIL OFFICES**

**A. Audit Officers**

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.

**B. Section Officer / Asst. Audit Officer**

- (i) Audit of the accounts of receipts;
- (ii) Audit of the accounts of stores;
- (iii) Examination of the cash book;
- (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.
- (v) Audit of all vouchers not submitted to central audit;
- (vi) Verification of drawals and deposits into treasury with reference to treasury records.
- (vii) Examination of the special points marked for special investigation by central audit.
- (viii) Audit of works expenditure;
- (ix) Accounts of stores, equipments etc. received under various foreign aid programme;
- (x) Departmental inspection reports

## *Appendix*

### **C. Senior of the two auditors**

- (i) Examination of service books, service rolls broadsheets and ledgers in respect of PF accounts of Gr. D staff etc.
- (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;
- (iii) Check of disposal of previous inspection reports;
- (iv) Audit ( triennial ) of taccavi accounts;
- (v) Audit of expenditure by State Government in connection with large gatherings of political organisations;
- (vi) Establishment pay bills;
- (vii) Travelling allowance bills;
- (viii) Register of undisbursed pay and allowances;
- (ix) Register of advances;
- (x) Property accounts i.e. immovable property accounts like land, buildings and other assets.

### **D. Junior of the two auditors:**

- (i) Dead-stock register;
- (ii) Register of empties;
- (iii) Stamp account;
- (iv) Register of deposits;
- (v) Log books and diaries of Government vehicles
- (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.

*Manual of Outside Audit Department*

**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-III**

**[Vide Para 7.12 (1),8.04(c)(5)(Note) , 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.

**APPENDIX IV**

**(Referred to in para 8.18)**

**MAINTENANCE OF ACCOUNTS OF CASH AND STORES**

**QUESTIONNAIRE**

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 anyone 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.



*Manual of Outside Audit Department*

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 chalangans
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.

## *Appendix*

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. Whether the Audit Party had noticed any of the irregularities mentioned below. If so give details / reference to para in the inspection report.
  - (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.
  - (ii) Removal of pages from account books and registers.
  - (iii) Tampering in totals and carry forward of totals, especially in cash books and stock books.
  - (iv) Errors in totalling in bills.
  - (v) Errors in carry over of figures from subsidiary registers to main registers.
  - (vi) Delay in disbursement of moneys drawn from treasury to payees (including money recovered /against court attachment, undisbursed salaries etc.).
  - (vii) Persistent delay in the submission of invoices and countersigned detailed bills to audit.
  - (viii) Tampering of figures in chalans.

*Manual of Outside Audit Department*

- (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.
  - (x) Bills presented at the treasury without entry in the Treasury bill book, interpolation and alteration of entries in the treasury bill book.
    - (a) Whether more than one bill book is used at a time for transaction with one treasury.
    - (b) Whether the bill books are kept in the personal custody of the drawing officer.
  - (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.
  - (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 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.

*Appendix*

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 omissions to attest the transactions / balances in the stock registers
33. In the case of loans and advances 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 :

A.A.O/ S O

Supervising Officer

OA Party No. :

**Form XI**

**Title Sheet of Test Audit Report (Receipt Audit)**

1. Name of the office inspected with name of the officer  
With designation.
  - (a) Name of the head of the department
  - (b) Name of the Administrative Department
2. When and by whom the unit was last audited by our audit.
3. By departmental audit.
  - (a) Dates of current inspection
  - (b) Number of working days
4. Name of the Assistant Audit Officer
5. Name of Auditors
6. Period covered by audit.
7. Months selected for detailed audit  
(cases selected for % age audit in PTC  
Offices must be listed out in annexure to this sheet)
8. Whether all required documents were produced for audit.
9. No. of audit paras and total tax effect of objection, including understatement & overstatement separately.
10. Persons responsible for paras with amounts of understatement & overstatement etc.  
(para without Tax Effect are not to be included)
11. Draft for inclusion in Audit Report with the name of the contributors
12. Paras to be included in Digest of important and interesting Points with name of the contributors
13. Whether there is any need to any new procedure to ensure proper documentation whether documentation is inadequate for effective check (If so, prepare a detailed note)
14. Whether any special point was marked for special scrutiny during local audit, give reference to separate not.
15. Whether the Audit Note book in the revised, approved form filled in and got attested by the inspecting Officer

## *Appendix*

16. Whether previous outstanding points were examined and discussed on the spot where necessary, Give reference to the verification memo.
17. Whether Part IB of the report brings out the latest position stage of compliance of the audit remarks by the department
18. Whether the draft report was discussed with the officer in charge of the unit of audit.
19. Whether there is any important point for consideration in the central cell. If so, give reference to the note
20. Whether the statement of distribution of work done by the party Members is enclosed
21. Whether the time allotted for audit is sufficient. If not, give a note.
22. Give in Annexure, list of records seen and names of those who checked the same
23. Whether the details of entertainment duty list on tax exempted pictures during the year in the district are enclosed (RDC audit)
24. Whether a list of T.P's for transport in Bond to another Bond of Spirit / I.M.F. L./Beer etc. is enclosed for verification in the records of receiving Bond (distilleries and BWT)
25. Whether the M.V. paras and other important paras in the LAR indicate whether the cases of understatement were seen by the Internal Audit Division (IAD) of the department
26. Whether a para on the working of the IAD Department is incorporated in the LAR bringing out the deficiencies in the set up and the short comings of the scheme
27. Whether details of write off of letters issued by the Department during the period covered by the audit are enclosed
28. Date of dispatch of LAR to the Central Cell.  
Certified that all the prescribed checks were exercised and all the requirements complied with.

*Manual of Outside Audit Department*

**Name and Signature of the Inspecting Asst. Audit Officer**

*Appendix*

- (1) Name of the G.O. who supervised the audit
- (2) Dates of supervision (please give the actual dates)
- (3) Important paras developed into Draft Paras by the  
central cell
- (4) Other remarks.

**Name and signature of the Supervisory Officer**



**APPENDIX I**

**Calendar of returns**

**Para 2.06**

Sr. No.	Name of Return	To whom due	When due	Authority
<b>QUARTERLY</b>				
1.	Quarterly progress report of autonomous bodies/SAR	CAG	5 <sup>th</sup> July 5 <sup>th</sup> October 5 <sup>th</sup> January 5 <sup>th</sup> April	3-Rep(AB)/360-2000  Dated 08.01.2001
2.	Quarterly progress report	CAG	10 <sup>th</sup> of April, July, October, January	No. 254/WR/Co-ord/1622012 dt. 30 <sup>th</sup> July 2012
3.	Director of Inspection	CAG	1 <sup>st</sup> of May Aug, Nov, February	5 <sup>th</sup> 191/Inspection/324-2-1 dated nil
4.	Report on revision of manual	CAG	15 <sup>th</sup> April 15 <sup>th</sup> July 15 <sup>th</sup> October 15 <sup>th</sup> January	
<b>HALF YEARLY</b>				
1.	Half yearly reports on cases of material fraud and corruption by them to H.Qrs	CAG	5 <sup>th</sup> April 5 <sup>th</sup> Oct.	126/Audit(AP) 1-2004 dt. 6.9.06 AG's order dt. 25.09.20096
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4.	Half yearly Progress Report reg. Imp. Of Integrated Annual plan of IA & AD for	CAG	1 <sup>st</sup> October 1 <sup>st</sup> April	280/WR/Coord/Perf.Asse t/22  7-2013 dt 2/5/2014

## Appendix

<b>ANNUAL 2014-15</b>				
1.	Review of periodicity of entrustment of audit of non-commercial autonomous bodies coming under Section 19(3) and 20(1) of CAG's Act 1971	CAG	10 <sup>th</sup> September	No. 18-Audit 11/1985  No. 657 – Audit 11/9-84 Dated 22.05.1985
2.	List of propriety audits under Section 14, 19 and 20	CAG	1 <sup>st</sup> March	364-Audit-II/72-90 dated 17.03.2092 (Sec.I/H,Q.rs.
3.	Autonomous Bodies selecte3d for the transactions and certification audit during the year	CAG	End of February every year	20-Rep(AB)-27-84(1) dated 04.02.1999 H.Qrs Cir44 (Separate file opened)
4.	Annual return regarding identification of Autonomous Bodies (AB) & Non-Government Organizations (NGOs) and their inclusion in the Audit Plan of ensuing year.	CAG	10 <sup>th</sup> April	No. 34/Rep(AB) 27.02.2007 dated 26.02.2008
5.	Performance Report of SAI of INDIA )	CAG	15 <sup>th</sup> Aug	229/Yr. Divn/1.2012(P)  Dt, 07.08.2012
6.	Assessment of Performance of Audit office (Ranking)	CAG	5 <sup>th</sup> of July	505 wr/Co-ord/Perf.Assmt/250-2012  V/Z/19/170-PPO/II/17/2012
7.	Integrated Audit Plan	CAG	31 <sup>st</sup> July	155-WR/Coord/AP/2015-16/ 51 – 2014 dt. 26/3/2014

**APPENDIX II**

**(Referred to in para 3.01)**

**DEMARCATIION OF DUTIES FOR PERSONNEL IN INSPECTION PARTIES**

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

**1. LOCAL AUDIT OF CIVIL OFFICES**

**A. Audit Officers**

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.

**B. Section Officer / Asst. Audit Officer**

- (i) Audit of the accounts of receipts;
- (ii) Audit of the accounts of stores;
- (iii) Examination of the cash book;
- (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.
- (v) Audit of all vouchers not submitted to central audit;
- (vi) Verification of drawals and deposits into treasury with reference to treasury records.
- (vii) Examination of the special points marked for special investigation by central audit.
- (viii) Audit of works expenditure;
- (ix) Accounts of stores, equipments etc. received under various foreign aid programme;
- (x) Departmental inspection reports

**C. Senior of the two auditors**

- (i) Examination of service books, service rolls broadsheets and ledgers in respect of PF accounts of Gr. D staff etc.
- (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;
- (iii) Check of disposal of previous inspection reports;
- (iv) Audit ( triennial ) of taccavi accounts;
- (v) Audit of expenditure by State Government in connection with large gatherings of political organisations;
- (vi) Establishment pay bills;
- (vii) Travelling allowance bills;
- (viii) Register of undisbursed pay and allowances;
- (ix) Register of advances;
- (x) Property accounts i.e. immovable property accounts like land, buildings and other assets.

**D. Junior of the two auditors:**

- (i) Dead-stock register;
- (ii) Register of empties;
- (iii) Stamp account;
- (iv) Register of deposits;
- (v) Log books and diaries of Government vehicles
- (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.

**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-III**

**[Vide Para 7.12 (1),8.04(c)(5)(Note) , 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.

**APPENDIX IV**

**(Referred to in para 8.18)**

**MAINTENANCE OF ACCOUNTS OF CASH AND STORES**

**QUESTIONNAIRE**

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 anyone 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.

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.

## Appendix

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.

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



**Manual of Outside Audit Department**

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. Whether the Audit Party had noticed any of the irregularities mentioned below. If so give details / reference to para in the inspection report.
  - (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.
  - (ii) Removal of pages from account books and registers.
  - (iii) Tampering in totals and carry forward of totals, especially in cash books and stock books.
  - (iv) Errors in totalling in bills.
  - (v) Errors in carry over of figures from subsidiary registers to main registers.
  - (vi) Delay in disbursement of moneys drawn from treasury to payees (including money recovered /against court attachment, undisbursed salaries etc.).
  - (vii) Persistent delay in the submission of invoices and countersigned detailed bills to audit.
  - (viii) Tampering of figures in chalans.
- (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.
- (x) Bills presented at the treasury without entry in the Treasury bill book, interpolation and alteration of entries in the treasury bill book.
  - (a) Whether more than one bill book is used at a time for transaction with one treasury.
  - (b) Whether the bill books are kept in the personal custody of the drawing officer.

## Appendix

- (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.
  - (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 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.

**Manual of Outside Audit Department**

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 :

A.A.O/ S O

Supervising Officer

OA Party No. :