

**OFFICE OF THE PRINCIPAL ACCOUNTANT
GENERAL (AUDIT), ASSAM, GUWAHATI**

**MANUAL OF WORKS
AUDIT**

FIRST EDITION

**ISSUED BY
THE PRINCIPAL ACCOUNTANT GENERAL
(AUDIT), ASSAM, GUWAHATI**

Preface

This edition of the Manual of works audit has been compiled from the Manual of the works Audit Department published in 1995, by the erstwhile office of the Accountant General (Audit) Meghalaya, Arunachal Pradesh & Mizoram Shillong, with such modification as has been necessitated due to changes that have been taken place. This compilation embodies instruction based on the INTOSAI code of ethics and auditing standard-2001, Auditing Standard 2nd (Revised) edition, 2002, Regulation on Audit and Accounts, 2007 ASOSAI Guidelines (dealing with fraud and corruption), and MSO (Audit) 2nd edition 2002. Provision of Account Code Vol-III, the APWD Code and manual, the CPWD code, the form of Account of Union and State (Basic) Rules, the Assam Financial Rules, Treasury Rules and orders, instructions, guidelines of local character, issued by the Head Quarter office and by the state Government from time to time.

(2). All members of this office, particularly those employed in outside audit duties of Public Works Department, should familiarise themselves with this manual in order to equip them adequately with conceptual skills, necessary for works audit task.

(3). This manual is not intended, for use of other offices. In course of audit, if any reference has to be made to a particular provision of code, manual and rules, that should be made from relevant code and rules and not to the paragraphs of this manual, as this manual is intended to be a guide to the staff and officer employed in works audit wing only. Efforts have also been made to arrange the contents of this manual according to Quality management Elements of AQMF circulated by HQ office letter No.172-Audit (AP) / 37-2008 Dt.June 04 2009.

(4). Works Audit (H.Qrs) Section will be responsible for keeping this manual up-to-date and for ensuring that all orders, instruction requiring incorporation in the manual are included therein with due care and promptness.

(5). Errors and omission in the manual may be brought to the notice of the Principal Accountant General (Audit) Assam. Suggestion for improvement, amendment to the manual will be appreciated.

Guwahati
the 23rd July 2010

Principal Accountant General (Audit)
Assam Guwahati.

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CHAPTER-I

(Central Audit)

1.1 General Arrangement

Audit of work ó transaction is carried out in Audit Office in two stages

- (a) Audit of accounts, vouchers and other supporting documents in Central Audit wing; and
- (b) Test audit of account, vouchers and other supporting documents in divisional offices, at periodical inspection by field audit parties.

Divisional officers of Public Works Department, falling under audit and accounts jurisdiction of the Accountant General Assam, are required to submit compiled account of their division, to the Accountant General (A & E) office, monthly as per forms prescribed in details in Account Code Vol-III, by 10th of the month, following the month to which it relates or by such dates as may be fixed by the Accountant General (A & E). After compilation of the accounts in the Accountant General (A & E) office, the same would be sent along with vouchers and other documents to the Accountant General (Audit) office (as per local arrangement) for audit in Central Audit wing. On completion of audit, the monthly accounts with vouchers and other supporting documents would be sent back to A.G (A & E) office finally, to be kept there.

1.2 Constitution of CA wing

Central Audit Support Section (CASS) assisted by Central Audit Parties (CAP), conduct audit of the accounts vouchers and other documents, in A.G (Audit) office. The primary responsibilities, for the audit of the accounts, vouchers and other documents of public works division, viz Roads, Building, Irrigation, Water Resources, Public Health Engineering, Inland Water Transport, Electrical and Mechanical Division etc. rest with the staff of CASS (CASS-II, IV & V) and CAP Section, under them.

The actual distribution of work will be settled by the Accountant General (Audit), according to the local requirement, keeping in view the instructions contained

in Chapter 1 of Section-III (read with Annexure-I and II) of the C & AG's MSO (audit). The work of audit should be taken up immediately on completion of each month's compilation works, by the Work Accounts Compilation Section of the office of the Accountant General (A & E).

1.3 Audit Planning

The Senior Audit Officer / Audit Officer i/c of concerned CASS Sections should prepare Annual Audit Plan in consultation with the compilation section of AG (A & E) office, at the commencement of each financial year. A report on audit Planning in 'CASS:FORM No.6' should be prepared for submission to Audit Planning Cell by 5th April each year as detailed in Para 4.1 of CASS Manual. Attempt should be made, for use of VLC data generated in AG (A & E) office, for the purpose of planning and audit exercises.

1.4 Conducting the Audit

1.4 (A) Audit of Monthly Accounts and Schedules

The important checks to be exercised by CAP, on the monthly accounts are indicated in Para 4.3.5 to 4.3.31 of chapter 3 of Section IV of C& AG's MSO (Audit) 2nd Edition 2002. Besides the preliminary checks exercised on the monthly accounts in the office of the A.G (A & E), the Sr. Auditor / Auditor of CAP should examine the various schedule dockets, vouchers etc. received in support of monthly accounts and audit them in detail in accordance with the general as well as special instruction prescribed in the relevant chapters of MSO (Audit). Receipts of vouchers from the office of the AG (A & E) are watched in Register to be maintained in Form.18.

1.4 (B) Selection of Vouchers for Audit & review

Selection of vouchers for audit, should be made according to the memorandum of instruction (Para 4.10) or as directed from time to time regarding the extent of audit, to be exercised in Central Audit.

For the purpose of selection of vouchers for audit, a selection Register is maintained in 'CASS Form No.20'. The Selection Register is a record of the

vouchers, selected for percentage audit, and the details of selection being written by the AAO / Supervisor incharge of CAP.

1.4 (C) Completion of audit & review

The Senior Auditors of concerned CAP Section should certify in completion of audit, in prescribed form (Form-20) to the effect that, he has audited all the vouchers selected for audit, and submit it to the AAO / Supervisor incharge CAP Section. The vouchers received with monthly accounts and audited by the Sr. Auditor / Auditors of CAP sections should also be reviewed to the extent prescribed (10% of audited vouchers) by the AAO / Supervisor incharge in CAP Sections. For this purpose a "Selection Register for Review" in Form-21 is to be maintained. The Selection Register for audit (Form-20) and the Selection Register for review (Form-21) will be sent by the AAO / Supervisor incharge CAP Section along with completion certificate of audit and review to the concerned CASS section along with POS / Audit memos / Audit notes as the case may be. These Audit Memos / POS / Audit Notes etc. will be scrutinized by CASS Section and will forward them in convenient batches every month, to divisional officer concerned, with copies thereof to the Accountant General (A & E).

1.4 (D) Conducting the audit of Vouchers (General)

The Procedure and nature of audit, to be applied to different classes of transaction pertaining to the accounts of Public Works department are laid down in MSO (Audit) (Section-III Chapter-1). The extent of audit to be exercised and review to be done by AAO / Supervisor are laid down in C& AG Memorandum of instruction (Sl.No.10 under Para.4 of Section-II). Due care should be paid to financial rules and orders of the State Government while making audit scrutiny.

The main points with reference to which the audit should be exercised are the following:-

- i) It should be seen that the expenditure is covered by a sanction either general or a specific and issued by a competent authority.
- ii) There should be provision of funds for the expenditure.
- iii) It should be examined that, the classification of charges against works, persons, service is accurate.

- iv) That the payments are supported by actual payee's receipts.
- v) It should be scrutinized to see that, the financial propriety are sufficiently observed.

1.5 Audit of Vouchers pertaining to work-contractors

The general principals and rules of audit governing the "Audit of Expenditure" are applicable to the vouchers received with the monthly accounts of Public Works divisional officers. However, the following additional Check should be exercised while auditing vouchers relating to execution of works, in central audit.

1.5 (A) Running Accounts bills

While checking contractor's running A/c Bills it should be seen that:

- i) The amount shown therein as having been paid in the last bill agrees with the amount actually paid. The voucher No. and date of payment of last bill along with the schedule docket No. should be recorded on the body of the vouchers under audit, against column "Memorandum of Payments".
- ii) A certificate regarding issues of store materials, T & P materials and receipt of forest documents against forest produces utilized.
- iii) Vouchers under audit should contain the certificate of measurement taken by appropriate authority.
- iv) The references of Tender agreement No. & Date, formal work order No. & Date of commencement of the work and the date of completion of the work should be recorded in appropriate Col. of the bill.

1.5 (B) Contractor's Final bills

In respect of contractor's Running Final or First and Final bills, it should be examined that, in addition to the above mentioned checks, deduction on account of Income tax, AGST, Security Deposit, Hire-charges of tools and plants, Forest Royalty and value of stores issued / utilised are duly made, and all outstanding advances such as secured advance, advance made against unmeasured works etc. are properly adjusted in the vouchers under audit.

1.6 Audit of vouchers for supplies made

In respect of vouchers relating to supplies of stores, T & P, road metal etc., it should be seen that certificate regarding receipt of materials in full and in good

condition, their accounting in the particular months Stock Account, Site Account, T & P Account as the case may be are recorded on the body of the vouchers under audit.

1.7 Review of audited Vouchers

The audit done by Senior Auditor / Auditor in respect of vouchers received with monthly accounts should be reviewed to the extent prescribed and as indicated in Para 4 (B) of this chapter by the AAO / Supervisor in charge of CAP sections. During his audit and review it should be seen that the requirement of audit against propriety and efficiency audit have been kept in view. The following points should receive his attention:-

(a) That all the transaction pertaining to a contract are not disregard of rule or against the financial interest of the Government. It should be particularly seen in case of final bills that, the date of actual completion of work has been checked with the stipulated date, as per contract agreement and work orders.

(b) That in case where a contractor has received a Secured Advance, and whenever a payment is made to him in respect of the particular items of work on which the materials were supposed to be used, a recovery of the value of materials used in the work, is made from him simultaneously in accordance with the rules. Similarly, in respect of mobilization advance if paid to the contractor against plants and machineries brought to the site of the work, necessary recoveries are made from the bills as per terms and conditions laid down in the contract agreement.

(c) That in the case of running accounts bill, for works done on Lump-sum contracts, it should be examined to see that, percentage of physical progress of work, does not fall short of the percentage of contract value paid, including the value of work done as per voucher under audit / review.

1.8.(A) Audit of sanction to contracts

Sanctions to contracts for works, supplies, carriages etc. accorded by authorities, higher than the Divisional Officer should on their receipt from the sanctioning authority by CASS, be audited by the Senior Audit Officer / Audit Officer in charge of concerned CASS.

Thereafter, these will be kept division wise so that they can be easily made available for reference of CAP section during audit of vouchers.

1.8 (B) Sanctions relating to fixed or periodical charges

Sanction relating to fixed or periodical charges, whether in connection with work-charged establishment or other services, as well as miscellaneous sanction and orders etc. should be scrutinized by CASS.

1.9 Documentation

All the processes of audit are to be documented in following forms and register, which will help to ensure that the delegated work has been satisfactorily performed.

(i) Auditor's Note Book

A Note Book should be maintained by each auditors / Senior Auditors in which he should keep a note of all important points noticed from time to time in course of central audit. These points should be brought to the notice of the works H.Qr section, for onwards action to be done, through field inspection party.

(ii) Selection Register for Audit (Form.20)

(iii) Register for Review of audited Vouchers (Form.22)

The form for maintenance of these two registers are prescribed under CASS Manual, and procedure and purposes of such documents are detailed in Para 4 (b) and 4 (c) of this manual of works audit department.

(iv) The following Register as incorporated in CASS manual should be maintained in Central Audit

Register of Receipt of vouchers (Form-18)

Register of Percentage recoveries (Form-17)

Register of Sanction to Contracts (form-5)

Control Register for Port folios (Form-3)

Progress Register (Form-2)

CHAPTER-II
Inspection of Public Work Offices

2.1 Introduction

The audit conducted by CASS and CAP as discuss in preceeding chapter, need to be supplemented by periodical inspection and test check of initial accounts and other basic records, which are not rendered to the Accountant General (A & E) office, along with monthly accounts, by the divisional offices of Public Works Department. Section 18 (I) (a) of the C & AGø (DPC) Act 1971, empowered him to inspect any office of accounts under the control of the Union or of a State or of a Union Territory, to satisfy himself of the accuracy of the initial accounts and other records, for which such offices are responsible, for keeping of accounts and other supporting records accurately and properly.

2.2 Objective of Local Inspection

The primary objective of local inspection are:

- (i) Test check of accounts, records and vouchers etc. which are not available during Central audit or which cannot be checked without exercising local audit.
- (ii) Examination of initial accounts, on the basis of which the accounts rendered by divisional officers are compiled, so as to ensure that, these accounts are maintained properly and in prescribed forms, and
- (iii) To review the preliminary checks required to be done by Divisional Accountants / Accounts Officers in the divisional offices.

2.3 Constitution of Works Audit Wing

The Outside Audit Department (Works) consists of Headquarters sections and the field audit parties. The works audit wing functions under the supervision of Sr. Deputy Accountant General/Deputy Accountant General (Works) under the administrative control of Principal Accountant General (Audit). The distribution of work under supervising control of Branch officers are as follows:-

Principal Accountant General (Audit)

Sr. Deputy Accountant General / Deputy Accountant General (Works)

Sr. AO / AO / i.c Work Audit Branch	AAO / Supervision / WA-I	AAO / Supervision / WA-II	AAO / DP Cell (Works)
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SAO / AOS Field Inspection Parties

No. of parties 5 to 8 parties

The works audit wing is entrusted with the work of local inspection of the accounts of receipts and expenditure (Receipts which are not covered by Receipts Audit wing) and T & P accounts in respect of Public Works Divisions falling under audit jurisdiction of the Accountant General (Audit) Assam, for which C & AG of India is responsible under Section 18 (I) of his (DPC) Act, 1971. The head quarters section / cell of works audit wing are responsible for carrying out the following main item of works.

2.4 WA-I Section

- (i) Preparation of Annual Audit Plan and preparation of Quarterly tour programme of the inspection parties, Maintenance of permanent Audit Register containing list of existing and new divisions under different P.W Departments viz Roads, Building, PHE, Irrigation, Water Resources, IWT, Central Ground Water Board (CGWB), CPWD, Brahmaputra Board etc.
- (ii) Selection and detailment of staff for inspection.
- (iii) Advance intimation of inspection to the concerned PW Offices and to CASS Section concerned.
- (iv) Supply of copies of all important orders, audit related circulars, list of special points to be seen during field inspection and copies of paper clippings received from Co-ordination Section.
- (v) Watch receipt of tour diary, Inspection Reports and travelling allowances bills from the inspection staff and officers.

- (vi) Maintenance and updating of Works Audit Manual.
- (vii) Arranging Quarterly meeting with the officers of the field audit parties, Hqr. Section and PAG (Audit) / Sr. DAG / DAG (Works) and circulation of all decisions / instruction given by the Pr. AG (Audit) / Sr. DAG / DAG (Works) to all staff and officers of works wing.
- (viii) Any other Misc. Works that may crop up in connection with local inspection.

2.5 WA-II Section

- (i) Vetting and issues of Draft Inspection Reports, maintenance of the register to watch receipt and issues of draft inspection Reports and pursuance of inspection Reports of Public Works Divisions.
- (ii) Reporting important cases likely to develop into draft para to DP Cell (Works) in a register called Register of Probable Cases (RPC).
- (iii) Maintenance of registers to watch progress of settlement of outstanding paras and register of recoveries Report for submission to the Pr. AG (Audit).
- (iv) Monthly / Quarterly / Half Yearly / Yearly review of inspection Reports for submission to the Pr. AG (Audit).
- (v) Arranging discussion with departmental authorities for settlement of outstanding paras in the form of Audit Objection Committee (AOC).
- (vi) Issuance of Six Monthly return of outstanding IRs and paras to concerned departmental authorities.

2.6 DP Cell (Works)

- (i) Processing Paras and collection materials for draft paras.
- (ii) Making Correspondences with the Head of Department of the auditee divisions for speedy collection of any wanting factual information, necessary comments or views etc. for finalization of proposed Draft Para.

Audit Management

2.7 Audit Planning In order to improve the quality of audit, detailed and well-defined planning is essential. Every year early in January, the work-audit HQ Section (WA-I) should frame a detailed Audit Plan, for inspection of public works divisional offices to be audited during the ensuring financial year. While framing

Audit Plan, instructions prescribed by Head Quarters office from time to time should be followed, in addition to instructions contained in Para 2.1.25 to 2.1.27 and Para 6.1.9 of MSO (Audit). The Audit Plan should be framed in a manner to ensure that an audit of high quality is carried out in an economic efficient and effective way and in timely manner.

2.7(i) Permanent Audit Register The Work audit (Hqr.) sanction is responsible for maintenance of the Permanent Audit Register containing complete list of existing and new Public Woks division/offices. For this purpose the works (Hqr.) section will call for the list of DDO from the head of the department of Public Works Roads, Building, Irrigation, PHE, Water Resources, CPWD, C.G.W.B, Brahmaputra Board, IWT etc., every year as well as collect such information from CASS / CAP Section and from the office of the Accountant General (A & E). All the divisional offices and the office of the Superintending Engineers and Chief Engineers should be categorised under category :-Aø :-Bø and :-Cø considering the volume of expenditure (non-establishment) incurred by each of the offices in a financial year preceding to the year for which the annual audit plan is going to be prepared. The periodicity and the time to be allotted for each audit shall be determined as under, in terms of Hqr. Office circular mentioned below:-

Volume of Expenditure incurred in a financial year	Category of the division / office	Time to be allotted for conducting the audit	Periodicity
Rs.1.00 Crore and above	:-Aø	8 to10 days	Annually
Rs.25 lakh and about but below Rs.1.00 Crore	:-Bø	6 to 8 days	Biennial
Below Rs.25.00 lakh	:-Cø	3 to 6 days	Triennial

[Hqrs. Office letter No.1289 / 177-2002 Dt.18.12.2002]

The above particulars should be recorded in the Permanent Register and should incorporate all the changes before submission to the Pr. A.G (Audit) for perusal and before preparation of annual plan.

2.7(ii) Annual Audit Plan From the Permanent Register, the divisional offices and other offices of Public Work Department should be selected for audit to be conducted during the financial year giving due priority to cover items of category -Aø -Bø and -Cø accordingly. This annual audit plan should be got approved from HQ Office by submitting all necessary information / particulars as per format prescribed by Hqr. Office.

The approved annual audit plan is to be split up in Quarterly Programme, starting from the month of April, for different audit parties.

2.7(iii) Use of VLC Datas in audit planning VLC data on various parameters like monthly expenditure, expenditure on contingency, pending AC bills as generated in AG (A & E) office would help in risk assessment and for selection of divisions / offices for inclusion in annual audit plan. Data could also be generated to give information on large expenditure, heavy purchase, rates paid and supplierø information etc. Division-wise and department-wise information on sanction, contracts etc. can also be put to use for audit planning.

2.7(iv) Risk assessment for Audit Planning Some of the risk indicators which should be considered at the time of selection of divisions / offices for annual audit plan are as follows:-

- a) Previous audit observation with amount involved but not yet settled.
- b) Any new activity undertaken.
- c) Divisionø track-record in production of record to audit.
- d) Any news paperø / other mediaø report about the auditee divisional offices in last one / two years.
- e) Dependences on a few supplierø / contractors.
- f) Expenditure trends, persistent excess drawal over sanction / budget estimate, large purchase and unadjusted AC bills etc.

[C&AG's letter No.126 / Audit (AP) – 2004 Dt.6.9.2006]

2.7(v) Consideration of Fraud and corruption in Planning Stage

Independent risk assessment should be carried out at audit planning stage and prioritize them accordingly. The audit plan in relation to fraud and corruption should

focus on high risk areas such as contact of services / procurement, sanction, performance information cash management etc.

While planning audit, based on some risk assessment, the audit procedure should be designed so as to secure reasonable expectation of detecting and evaluating materials mismanagement and irregularities arising from fraud and corruption.

[C & AG's letter No.126 / Audit (AP) / 1-2004/ Date 6.9.06 Para.6 & 7]

2.7(vi) Introduction Department Centric Audit The Hqr. Office decided that all civil audit offices will introduce the department Centric Audit or Chief Controlling Officer's (CCO) based audit, in addition to the existing DDO Centric audit and should plan accordingly from the year of audit plan 2010-2011. Based on the total number of department (within PWD) and the auditable units as well as available manpower a plan should be prepared containing the number of CCO & DDOs to be covered in a particular year. For the purpose of audit planning the departments should be categorised into different risk categories (ABC from maximum to minimum risk) and stipulated different cycles for each category. For this purpose risk mapping of various departments within the PW Department may be made and designed cyclicity of 1, 2 and 3-5 years for the :-Aø :-Bø and :-Cø category units. The effectiveness of CCO based audit to be conducted for the first time during 2010-11 will be reviewed for improvement/course correction, thereafter.

[HQ Circular letter No. 199-Audit(AP) 16-2006 dt. 30.06.09 [Para 13,14]

2.8 Staffing for the audit Staff for inspection parties are also to be categorised as :-Aø :-Bø & :-Cø for conducting audit of categorised units under :-Aø :-Bø & :-Cø considering their training, knowledge experience and intelligence and should be composed as under:

Category of Planned Units	Category of inspection Parties	Composition of Parties
:-Aø	:-Aø	One Sr. A.O. or A.O. two AAO/S.O
:-Bø	:-Bø	Two AAOs or one AAO and two Sr. Ar/Ar.
:-Cø	:-Cø	One AAO and one Sr.Ar / Ar.

The categorisation of parties will change based on review to be done every six month and category 'A' party may be downgraded to category 'B' or even to category 'C' party depending on performance by way of contribution toward Audit Report and vice-versa.

[C&AG's letter No. 1289/R-SCS/177-2002 dt. 18.12.02]

2.9 Quarterly Programme Works Audit Headquarters Section (WA-I) will maintain a Register called 'Register of Public Works Inspection' or a 'Cycle Register' to regulate the frequency of inspection of each Division / Offices. On the basis of this register, local inspection programme for each quarter is to be prepared by work audit Section (WA-I) and submitted to the Principal Accountant General (Audit) through the Group Officer of works audit group for approval. With a view to economising time and cost, the divisional officers situated on the same line of the route should, as far as possible be included in the same tour programme.

2.10 Time to be allowed Number of working days allowed for inspection of division / office varies from 3 to 10 days as indicated in Para 16 (i) of this manual and as per norms prescribed by Head Quarter Office, subject to the availability of required manpower.

[C& AG letter No.1289 / R-Ses / 177-2002 Dt.18.12.2002]

2.11 Notice of Inspection An intimation, should be issued by WA-I Section, to the divisional offices concerned, at least 3 weeks in advance of the date of commencement of the inspection, so that the division could produce all the required records in a complete shape. The intimation should spell out clearly the records, general or special, that would be required in course of audit. The divisional officers should also be requested to be present at his head quarters office / station to discuss with the inspecting officers the result of audit at the close of the local inspection.

[Regulation 177 MSO 6.1.11]

The purpose of these instruction is to ensure that auditee units are always kept informed about the programme of audit and are not, in the ordinary course, taken by surprise. Taking up of audit without prior intimation could not only result in

difficulties in conducting the audit engagements but also lead with the risk of unauthorised and vexatious audit taking place. In the absence of well established predictable and regular process of audit, there may be possibilities of accepting such unauthorized audit by the auditee organization. Such fraudulent activities may come to notice only when a duly authorized audit team visited the auditable units as per an audit programme duly approved by the competent authority. To rule out occurrence of such malpractices some of the precautionary measures as circulated from Headquarters office are indicated below:

- i) The Quarterly Audit Programme (duly approved) should be uploaded in the official website so that any DDO / CCO can ascertain whether or not his office is likely to be audited in that quarter.
- (ii) "No Audit" instruction may be sent to other offices which are not subject to audit in the ensuing Quarter.
- (iii) Any change occurred subsequently may be intimated to the auditee unit accordingly.
- (iv) The audit intimation letter may specifically mention the names of audit personnel deputed for the audit and their ID Card numbers. The auditee units are free to verify the proof of identity of the audit team members.
- (v) A sample of standard audit intimation letter was circulated vide Hqr's DO No.IA2 / 115 ó Audit (AP) / 4-2010 Dt.28th April 2010.

[C&AG's letter No.IA2 / 115 (AP) / 4-2010 Dt.28th April'2010]

2.12. Period of Accounts to be covered in local inspection Every audit party should cover transaction from the month subsequent to the month upto which accounts were last audited to the month preceding the month in which the present audit is taken up subject to the condition that account of the month is compiled and submitted to the AG (A & E) as required under the provision of account code Vol-III.

2.13 Co-ordination with Central Audit Wing:- Central Audit Supporting Section (CASS) are required to note significant points needing investigation during local inspection in a separate register. These points should be communicated to works Head Quarter Section (WA-I) as referred in Para.9 (i) of preceding chapter of this manual, for verification with relevant records in the field office and indepth scrutiny.

Consultation and Advice

2.14 Periodical Meetings The staff and officers working in the field and Head Quarter Section are called to attend in a meeting organised at Head Quarter Office at the beginning of every quarter. The intention of such periodical meetings are to take stock of the work done in the field and Head Quarter office and to identify steps to improve the quality of audit exercise. These meetings also provide opportunity to discuss problems that may face by field parties while conducting local inspection. The works Head Quarters Section (WA-I) is responsible for arranging these quarterly meetings determining the agenda for discussion in advance, obtaining approval of group officer concerned. Important decision taken in the Meeting relating to Audit functions may be circulated in the form of minutes of quarterly meeting by WA-I Section among all concerned, for compliance and guidance.

Group Officer should brief the inspection officers and inspecting staff on important and significant points to be seen in PW Divisions coming up for test audit in each Quarters. This briefing may cover all important points noticed in Central Audit dealing with audit of accounts and vouchers of PW Divisions.

2.15 Documents to be supplied to the field inspection Parties from Head Quarter Section

The following documents should be supplied to the inspection parties by Works Audit (Head Quarters) Section:

- (i) List of outstanding Inspection Reports / Files.
- (ii) Selection Sheet of Works as per ANNEXURE -Aø and monthwise expenditure to identify the month to be selected for detailed checking and MBs to be checked.
- (iii) A complete set of audited accounts for the month selected for test audit with schedule docket and vouchers.
- (iv) Foils of paid cheques relating to the accounts of selected month.
- (v) All schedule dockets and vouchers relating to works selected for analysis.
- (vi) Copies of Press-Clipping relating to division concerned which is being taken up for test audit.

[C&AG's Circular No.374 Audit (Audit Plg.) / 29-96 Dt.25.4.1996]

- (vii) Copies of major observation made on audit of accounts and vouchers by CASS / CAP in Central Audit.
- (viii). Monthly Accounts for September, March and March supplementary for the purpose of audit check to be carried out as directed in C&AG's Memorandum of instruction regarding the extent of Audit (Para 45 B).

The Works Audit Head Quarter Section should maintain a register in a suitable form to watch issues and return of aforesaid records / documents.

CHAPTER-III

Duties and responsibilities of Inspecting Staff

3.1 Inspection Officer (Sr. A.O / A.O):- The responsibility of the Inspecting Officer for inspection of PW Offices have been determined in Sub-Section A of section VI of C & AG's MSO (AU) Annex. to Para.6.2.2. The Inspecting Officer is primarily responsible for seeing that all audit inspection work done by himself and his staff is carried out in accordance with the rules prescribed in MSO (Au) and C&AG's memorandum of instructions regarding the extent of audit. In regard to the items of work entrusted to the subordinate staff, the inspecting officer incharge will remain responsible for the quality and correctness of the work. The inspecting officer should himself undertake the following item of works, in addition to the works outlined in Annexure to Section-VI (Ref Para 6.2.2) of C&AG's MSO (AU).

- (i) Study of the inspecting reports / notes of CE and SE on their inspection of division and those of the EE and Divisional Accountant / Accounts Officer on their inspection of Sub-divisions with a view to issue appropriate directions to audit staff.
- (ii) Review of the note books containing Divisional Accountant / Accounts Officer's audit objections.
- (iii) Review of objections embodied in the previous Inspection Reports but remained unattended.
- (iv) Review of the budget allotment and expenditure against major items of Revenue and Expenditure and to analysis large excesses / savings / short falls.
- (v) Review all tenders and agreements along with the related records and documents.
- (vi) General review of TE Orders, Suspense and Deposit Register, Schedule of works and Monthly Accounts etc.
- (vii) Review of Cash managements and stores management.
- (viii) Review of outstanding IRs and Paras for spot Settlement. The review of outstanding IRs and Paras are to documented in a Form as per ANNEXURE-B and incorporated in the IR for Head Quarter Section personnel.

The list as given above is not an exhaustive one. It is open to the inspecting officer to extend his personal. Scrutiny to other points, which in his opinion, require such scrutiny and ensure that:

- (a) There is no failure in bringing to light all serious irregularities and defalcation.
- (b) All the facts and figures verified from the Divisional Officer concerned and records his explanation in respect of irregularities / observation on the spot. A certificate recorded as "Discussed and fact Verified" should be obtained from the Divisional officer whose office has been inspected.
- (c) The draft Inspection Report has been discussed with the head to the office inspected, whenever he is present at the close of inspection.
- (d) Detail analysis of one work / scheme costing more than one crore or two works / schemes costing less than one crore has been made.

[**Authority:-** Sl. No.16 of Annexure "A" of Pr. AG's orders dt.12.10.06 communicated to field parties vide No.WA-II / 2006-07/1 Dt.18.12.06]

3.2 Duties of Party Members

I. Party consisting one Sr. A.O / AO, two AAOs / and one Sr. Auditor.

3.2 (1) Assistant Audit Officer (Party Incharge)

- (i) Complete and detailed analysis of selected works with reference to all connected documents, such as Administrative Approval, Technical Sanction, Work Orders, sanctioned estimates, Agreements, Measurement Books, material at site accounts, Contractors ledger, Progress Report Running Account / Final bills, Vouchers, analysis of rates etc.
- (ii) Scrutiny of a few files relating to other works.
- (iii) Scrutiny of few tender documents.
- (iv) Examination of the Register of Works.

- (v) Examination of statement of annual certificate of balances.
- (vi) Study of charge report of divisional and sub-divisional officers.
- (vii) Scrutiny of muster rolls.
- (viii) Complete check of contractor's ledgers for selected months.
- (ix) Scrutiny of register of contractor's bills.
- (x) Examination of stores and stock accounts (including general review of Priced Stores Ledger, Bin Card) Goods Receipt Statements, Indent, Appendix-7 etc.
- (xi) Review of arbitration cases / court cases.
- (xii) Review of survey reports and register of survey reports.
- (xiii) Review of register of quarries and distance for leads.
- (xiv) Review of schedule of rates.
- (xv) Scrutiny of estimates for special repairs.
- (xvi) Verification of action taken on previous Test Audit Note.
- (xvii) Settlement of outstanding paragraph in previous IRs.
- (xviii) Examination and disposal of special points referred by Central Audit for local verification.

3.2(2) Assistant Audit Officer –II

- (i) Scrutiny of Cash Book, Subsidiary Cash Book, Receipt Books, Treasury Bill Book, Challans, Cheque Books and remittance books.
- (ii) Review of Stock Register of Receipt books and cheque books.
- (iii) Review of acquaintance rolls.
- (iv) Review of schedule of settlement with treasuries (Form-51).
- (v) Scrutiny of transfer entries.
- (vi) Review of tools and plants. Register and Returns.
- (vii) Scrutiny of register of rent and other receipts and arrangements for their assessment, demand, collection and accounting.
- (viii) Review of register of valuables.
- (ix) Examination of imprest and temporary advance accounts.
- (x) Examination of register of liabilities, Party paid Bills.
- (xi) Review of Register of Budget allotment, instances of major savings excesses, short realization etc. with reference to provisions and of adequacy of reconciliation work done by the department.

- (xii) Verification of accounts schedules, vouchers, cheques, etc. received from the office with the relevant original records.
- (xiii) Verification with treasury records regarding drawals and remittances.
- (xiv) Review of register of agreements / works alongwith the related agreements / work orders.
- (xv) Scrutiny of land acquisition cases.
- (xvi) Review of Cash settlement suspense accounts, MPW Advances, deposit accounts.
- (xvii) Examination of cases of theft, losses etc.
- (xviii) Realization of sale value of tender forms with reference to the tender register and their accounting with reference to treasury challans.
- (xix) Examination of a few work files and tender documents in respect of deposit works.

3.2(3) Senior Auditor/Auditor

- (i) Examination of Register of service books.
- (ii) Review of service books and leave accounts.
- (iii) Scrutiny of pay bills, TA bills, medical reimbursement claims, LTC claims and other personal claims.
- (iv) Review of Register of advances, sanction and recovery of advances.
- (v) Review of registers of payments due to other departments (Income Tax, Sales Tax, Court attachment, Forest Royalties etc).
- (vi) Examination of register of contingent bills alongwith vouchers and other relevant records.
- (vii) Scrutiny of different kinds of securities obtained.
- (viii) Review of deposit transactions.
- (ix) Scrutiny of register of fixed charges.
- (x) Examination of register of vehicles and log books, Register of spare parts, P & L Account.
- (xi) Check of stamp accounts.
- (xii) Examination of accounts of stationery and forms.
- (xiii) Examination of register of leases and lease files and register of license fee for buildings and lands.

- (xiv) Verification of store ledger, delivery notes, materials at site register / Accounts.
- (xv) Verification of unserviceable machinery, T & P.
- (xvi) Examination of records relating to settlement of Ferry Ghats and realisation of lease- value.
- (xvii) Settlement of outstanding Paras of previous IRs and verification of action taken on earlier Test Audit Notes.

Party consisting of an Audit Officer / Sr. Audit Officer an AAO and two Sr. Auditor / Auditors.

1. Assistant Audit Officer same as 3.2 (1)
2. Senior of the two Sr. Auditors / Auditors same as 3.2 (2)
3. Junior of the two Sr. Auditors / Auditor same as 3.2 (3)

Notes:-

- i). Any other records in the division coming under audit review should be allotted to any members of the party for scrutiny.
- ii). Detailed scrutiny of any record, whenever required may be allotted to any member of the party. It is desirable that records examined by lower level officer / officials of the party be re-examined by higher supervisory officers so that the scrutiny / examination is thorough and meaningful.
- iii). The AO / Sr. member of the party should reallocate the work based on actual circumstances so that no items is left unchecked because of the absence of the AO or any other member of the party.
- (iv). Each officer of the party should make detail analysis of one work / scheme costing more than one crore or two works scheme costing less than one crore. A self certificate / statement of detailed analysis of works citing the name of the work / scheme AA amount up-to-date expenditure and present status should be appended in the DIR.

Authority:- PA's Order Dt.12.10.06 accorded at P/27th of the file WA-I / 2-23 / Vol-II / 2006-07.

3.3. Records to be checked in local inspection

Register of incumbents

Bill Register

Register of measurement book

Register of check measurement

Register of works

Register of Administrative approval

Register of technical sanction

Register of Rent and building

Register of CSSA

Register of Deposit

Register of Misc. PW Advances

Register of Service books

Register for settlement of Ferry Ghats

Register of distance marks

Register of forms and stationery articles

Register of sale of tender forms

Rent Register of residential building

Register of WMC Memos

Register of liabilities

Register of valuables

Register of Deposit Works

Register AC / DCC bills

Register of loans and advances

Register of revenue recoveries

Register of securities.

Movement Register of measurement books

Register of Misc. receipts (sale value of empty cement bags, empty Bitumen drum etc.)

Register of treasury Remittances

Register of agency charges

Job Register of work-shop Accounts

Register of spare parts

Cash Book / Subsidiary Cash Book
Cash balance report
Acquaintance Rolls / APRs
Vouchers / Challans
Stock book of cheque books
Register of fixed charges
Cheque counterfoils
Check book and Receipt books
Receipt counterfoils
Treasury Pass Book
Bank Pass Book
Bank scroll
Transfer entries order book
Transfer Entries order
Imprest account
Temporary Advance Account
Daily books
Muster Rolls
Works abstract
Contractor ledger
Schedule of rates
Sanctioned estimate
Priced Store ledger
Goods Receipt Statements (GRS)
Appendix-7
Indents for stores
Bin cards
Proforma Bill Register
Permanent Site Account
Materials at site account
Numerical Account
Road Metal account
T & P Ledger
Register of Service Books

Service Books and leave account
Log book of vehicles and machineries
History Sheet of vehicles and machineries
Copies of voucher / APRS
Hand Receipt
Register of enlisted contractors
Sanction of reserve Stock Limit
Survey report of disposable stores & T & P
Deposit at Call Receipts
File for verification of Stock & T & P
Quarterly Progress Report of Works
Inspection Reports of EE / AEE / AO
on Sub-Division Offices.
Handing and taking over report of EE / AEE
File for FOC
Accounts Officer's Note Book
Tenders & C.S Files
Register of Bank Guarantees
Occupation Register of Inspection Bungalow / Guest House
Stock Register of Furniture and fittings in IB / Guest House
Room allotment orders files

3.4(a) Tour Diary

Every member of field Party including the Supervising officer shall maintain a diary of work done by him and the said diary for every week ending on Saturday should be sent to the Works Audit Head Quarters Section in the prescribed form. The weekly diary report in respect of Sr. Auditors / Auditors will be verified by the Assistant Audit Officer incharge of the party and record his approval in the form of "Countersignature".

3.4 (b) Attendance

Each local audit party should maintain an attendance register in which each member of the party shall mark his attendance. The attendance register should be submitted to HQr Section on completion of the Tour Programme for the Quarter

ending June, September, December and March for necessary records of leave and absence.

Conducting the Audit by Field Parties

3.5 Planning for execution of audit

The field audit party should plan the audit in a manner which ensure that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner. While taking up audit in a particular division the audit party should take appropriate step to:-

- Collect information and to understand the functions and objective of the auditee unit and the department as a whole to assess risk and to determine materiality.
- Determine the correct approach to be adopted and the nature and extent of enquiries to be made.
- Understand whether adequate, proper and sound system and procedure are in place and are being complied with both letter and spirit, for spending public money against different works / schemes.
- Examine whether compliance to the applicable laws, rules, regulation, orders and instruction are made in actual disbursement.

The audit should bring to light not only significant cases of irregularity and breach of rules, regulations and orders etc., but also every matter which in the judgement of audit appears to involve significant unnecessary, excessive, extravagant or wasteful expenditure of public money and resources despite compliance with the rules regulations, orders etc. **(Regulation 49)**

3.6 Nature of checks

Nature of checks to be exercised on the important account records and other related documents are almost same to all wings of public work department viz Roads, Building, Irrigation, Water Resources, CPWD, CWC, NH, PHE etc.

3.7 National Highway Divisions / Offices

3.7 i) Procedure

The accounting procedure, for expenditure incurred on Capital Works and maintenance & repair on National Highway (NH), was formulated in 1977 by the Ministry of Surface Transport in Consultation with the department of Expenditure and C&AG of India. As per the said procedure the expenditure was initially incurred by the state PWD and on receipt of the monthly compiled accounts, from the divisions, the Accountant General used to send to the Regional Pay and Accounts Office (RPAO (NH) the monthly statement of receipt if any and expenditure on NH works with all schedules, Voucher, Supporting documents etc. for claiming reimbursement. The RPAO (NH), thereafter reimbursed the claimed amount to AG by cheque / demand draft after exercising the prescribed checks.

3.7 ii) New procedure

A direct payment Procedure was introduced with effect from July 2001 and made applicable for all NH works, under the Major Head (N.H) 5054, 3054 (MH) and 3054 M & R. Under the new procedure, the state PW Divisions who use to execute the construction and upkeep of NH Works on agency basis, are required to send along with the monthly accounts, all schedule docket, schedule of works expenditure and voucher relating to relevant expenditure and schedule of percentage recoveries in duplicate to the Regional Officer (NH) MOST. The Regional Officer (NH) MOST will perform as Drawing and Disbursing officer for all payments and receipts relating to N.H Works. The State PW Division will seek reimbursement from RPAO (NH) through the R.O (NH) by submitting claims of contractors and of their own department duly verified and certified instead of going through state treasury and Accountant General (A &E).

The Regional Officer (RO) MOST, in turn, after applying necessary checks shall pass on the bills to the RPAO (NH) for process and issue of cheque / demand Draft in favour of the contractor directly. The RPAO (NH) after processing the claim shall either pass them for payment and issue cheque / DD or return to the Executive / Superintending Engineer through R.O for compliance of observations raised. The state PW divisions shall also maintain the same records for submission of bills to RPAO (NH) as was being done in earlier procedure.

iii) All receipts pertaining to NH Works will be deposited with RPAO (NH) by means of cheques / DD for which payee's receipt will be issued. The following are some of the items of Receipts.

- a) Sale proceeds of Tender Documents.
- b) Sale proceeds of empty Bitumen Drums and Cement Bags.
- c) Receipts of Tele Communication Deptt.
- d) Sale of Forest Products
- e) Misc. Receipts.

iv) Deposit Register will be maintained by the Division while making refunds of Security Deposit. Necessary certificate for entries being made in the Register will be given by the Executive Engineer, on the bill claiming refund of Security Deposits.

v) The cheques for agency charges for execution of works of NH will be sent by RPAO (NH) directly to the AG (A & E) for credit to the accounts of the state on a fortnightly basis along with Schedule showing details of bills. Besides, the SE will also send a monthly statement of bills and payments received from RPAO (NH) to the State AG (A & E) so as to enable him to calculate the amount of Agency charge due to the State Government.

The Accountant General (Audit) will conduct local audit of NH works in the office of the Public Works Division, and copies of inspection reports will be sent to the following authorities.

- i) Superintending Engineer concerned N.H Circle.
- ii) Chief Engineer PWD Road (NH)
- iii) Secretary to the Govt., PWD
- iv) Regional Officer MOST
- v) RPAO N.H

3.8 Audit checks to be applied in Field Inspection

(A) Cash Books

Entries of cheques drawn, receipts collected and remittances into treasury / RPAO (NH) should be checked with reference to the counterfoil of cheque, counterfoil of receipts and copies of challans, remittance register etc. It should be seen that:

- i) Cash Book is maintained as per prescribed form.
- ii) Cash Book pages are machine numbered.
- iii) Contain a certificate on the first page regarding the number of pages duly signed by competent authority.
- iv) Entries of receipts and payments are made promptly every day in the Cash Book and attested by DDO everyday after verification of receipts and payments with challans and vouchers.
- v) Entries in the Cash Book are checked by an officer not connected with the writing of Cash Book.
- vi) Cash verification certificate is recorded in the cash book stating cash balances found on actual counting.
- vii) Surprise check of cash balance is conducted periodically by an authority not responsible for maintenance of Cash Book. A certificate to that effect is recorded under seal and signature of the officer conducting surprise check.
- viii) The cash balance is not considerably huge or within limit.
- ix) Payments are made by cheque only, excepting for the amount as permissible under Receipt & Payment Rules 1983.
- x) Receipts are correctly posted in chronological order from all receipt book.
- xi) Subsidiary Cash Books are maintained and transaction there in accounted for in the main Cash Book.
- xii) Cashier has furnished necessary scrutinies etc.
- xiii) Issue of cheques in lieu of cancelled / time barred / lost cheques are recorded in the Cash Book as per provision made in the Account Code Vol.III.

- xiv) Cash book is closed and balanced monthly.
- xv) No erasure or interpolations made.
- xvi) Errors are rectified by drawing line over the incurred entries.
- xvii) Temporary Advance, imprest issued to subordinate, are properly accounted for and promptly adjusted.

The checks mentioned above are only illustrative and not exhaustive. The auditors should take into consideration the provision laid down in relevant Rules manuals of the Govt. of Assam.

3.8 (B) Stock Registers of Receipts Books and Cheque Books

The procedure laid down in Assam Financial Rules should receive the attention of inspecting staff. It should be seen that:-

- i) All books on receipt are entered into the Stock Register of cheque and Receipt Books, and the register is maintained properly and reviewed periodically.
- ii) The counterfoils of used books are returned promptly to the Divisional Officer for record and that they contain the check certificate of the Divisional Officer.
- iii) The Certificate of count of the number of forms is duly recorded on the Fly-leaf of each book.
- iv) No receipt (AFR Form No.1) is signed before the receipt of the money has been recorded in the Cash Book or sign by an officer not authorized to do on this account.
- v) No cheque is drawn unless it is intended to be paid immediately.
- vi) Time barred or lost cheque or cancelled cheques are properly dealt with as per provision of Rules, code and manuals.
- vii) All paid cheques are traceable in the treasury Pass Book.
- viii) Cheque Books are kept in safe custody of the Divisional Officer.

3.8 (C) Treasury Pass Book

It should be seen that, there is no unusual delay in sending the Pass Book to the Treasury and their return with updated position of drawal and remittances. Discrepancy if any noticed there in should immediately be reconciled and necessary schedule of settlement with treasury (Form-51) is prepared regularly for submission to AG (A & E).

3.8 (D) Register of remittances

For this purpose it should be seen that the Register is maintained properly in term of Assam Treasury Rules and all remittances are correctly posted and closed monthly. A schedule of remittances into treasury is prepared and attached with monthly accounts as required.

3.8 (E) Transfer Entry Orders and Transfer Entry Order Book

Article 105 to 11 of the Account Code Vol.III deals with as to how and when a transfer entry is to be made to transfer an item of receipt or charges from one account of work in progress to an account of another work or from one head of account to another head of account.

Transfer entries are required to be made:-

- i) In order to correct an error of classification in the original accounts.
- ii) In order to adjust, by debit or credit to the proper head of account (or work) an item outstanding in a suspense account or under a debit head, etc. etc.

All transfer entries involving rectification of error should be examined to see that they do not indicate any defect in the system of accounting or any of the following irregularities.

- (1) Expenditure is wilfully charged to a wrong estimate, because the correct estimate has not yet sanctioned.
- (2) Materials are issued unnecessarily to works simply to utilize grants and transferred to stock latter on.
- (3) To hide excess over sanctioned estimates.

- (4) To cancel the fact that certain materials have been lying for long period at the site of a work without being used. Transfer entries of March should be scrutinized with special care.
- (5) Detailed instruction are laid down in Article 110 and 111 of Account Code Vol-III for maintenance of transfer entry order book. It should be examined during audit that these are being complied accordingly.

3.8 (F) Imprest and Temporary Advance Accounts

It should be seen that:-

- i) The accounts are closed and recouped regularly before the Cash Book for the account month concerned is closed and that the accounts of imprest are not unduly excessive (Article 86 of Account Code Vol-III and Rule 82 of the Assam Financial Rules). Similarly accounts of Temporary Advance should also be examined under the provision of said Account Code Vol-III and AFR.
- ii) The sanction of Govt. exists for imprest above Rs.1000/- (Rule 82 (b) of Assam Financial Rules)
- iii) Acknowledgement from the imprest holders are obtained against the outstanding on the 31st March each year (Article 234 of the Account Code Vol-III).

3.8 (G) Selection of Month and works, for detailed checking

If in any case, selection of months and works are not made by works audit HQR. Section, these should be done by field inspection party in the Divisional offices. A list showing monthwise expenditure since last inspection and upto the proceeding month of the ensuing inspection (if the monthly accounts of said month is submitted to the AG A & E office) should be prepared as per ANNEXURE-A-II.

Similarly, a list of works indicating the particulars of Administrative Approval, Technical Sanction and monthwise expenditure incurred during the period to be covered in audit, should be prepared from the schedule of works expenditure (Form 64 & 65) for selection of works for detail analysis. ANNEXURE-A-I

It should be kept in view that the works which are already analysed upto the stage of their completion, are not proposed again for analysis. One work / scheme costing more than Rs.1.00 Crore and two works / schemes costing less than Rs.1.00 Crore should be analysed by each officer of the party taking into consideration that a substantial amount has been spent on such selected works / schemes.

[Authority:- PAG's order Dt.12.10.06 vide No.WA-I / 2-23 / Vol-III / 06-07]

3.9 Detailed checking of the accounts of selected month.

The entries of selected month (1 month for each financial year) in respect of the following registers, schedules, returns should be checked carefully besides their general review.

- (a) Cash Book with Vouchers, Challans, Transfer Entries & Cheques paid.
- (b) Totalling in the Cash Book.
- (c) Contractor ledgers, in relation to advance, secured advances and payments with adjustments etc.
- (d) Register of deposits, with schedule of deposits.
- (e) Priced Store Ledger with Credit / Debit to stock effected in the months.
- (f) T & P Ledger and Returns having expenditure in the month.
- (g) Register of works and schedules of works expenditure.
- (h) Measurement book relevant to all vouchers for work done or supplies made.
- (i) Register and files relating to sanctions, against expenditure made in the month.
- (j) Progress Report Files / Registers.
- (k) Site Accounts both Casual and Permanent.
- (l) Road metal Account against relevant expenditure incurred in the month.
- (m) Indents, orders, and acknowledgement in respect of stores and T & P materials shown to have been issued to other Division / department in the month.
- (n) Register of MPW Advance and files.
- (o) Verification drawals and remittances as per treasury records with that of Cash Book.
- (p) Register of revenue realised and relevant schedules and their verification with Receipt books / Cash Books / Challans.
- (q) Register of remittances with copies of challan etc.

- (r) Bill Register.
- (s) Contingency Register.
- (t) Sale of tenders documents with Receipt books.
- (u) Fuel Accounts / Register with Vouchers etc.
- (v) Hand Receipt with relevant vouchers.

3.10 Analysis of Selected Works

The selected works or scheme should be examined in details from the commencement, and all transactions should be analysed and compared with the details of sanctioned estimate, and with contract agreement, measurement Books, Stock account and other relevant documents. The following points may be particularly looked into:-

3.10 (a) Inviting of tenders

It should be ensured that, tenders have been invited with wide publication. The general principal to be followed in entering into a contract are given in Para.3.7.2 to 3.7.5 of MSO (Audit) 2002. It is one of the fundamental principal that contracts should be placed only when the tenders have been openly invited and most advantageous terms secured to Government by accepting only the lowest tenders. Cases in which these principal have not been observed should be included in the IR with necessary data. If it is noticed that the number of tender received had been very limited, it should be seen whether wide publicity had been given, and sufficient time had been allowed for tendering. The reasons for not calling for open tenders or for accepting those other than the lowest should be scrutinised with a view to see that they are acceptable. If the need for call of competitive tenders had been dispensed with on the ground that the work had to be carried out in an emergency, it should be examined whether it was warranted by such emergency and appropriate steps to follow the normal procedure were taken after the emergency was over. The tender notices should be checked to see that:

- i) It includes the details of work to be done or supplies to be made.
- ii) The manner in which payment will be made to the contractors / suppliers work specified.

- iii) All conditions regarding time frame for completion of works / supplies are incorporate clearly.
- iv) Particulars of materials to be supplied from the departmental sources and rates for making recoveries of the value of materials so supplied, from the running account bills for work done etc. are duly specified.
- v) Imposition of penalties for delay in completion or leaving the job incomplete and for non return of excess materials and tools and plants etc. incorporated in the tender notice.
- vi) Conditional and tentative tenders were discouraged and the tender notice should have mention that such tender are liable to be rejected.

3.10 (b) Register of tenders

The register should be scrutinized to see that, the amount of earnest money received in response from the tender are recorded properly in the register and taken in the Cash Book. However earnest money received in the form of legal notes, Deposit Call Receipts of schedule bank etc. and whose tenders are rejected on the day of opening of the tenders need not be entered in Cash Book and in the Register of tenders.

3.10 (C) Comparative Statement (CS) and acceptance of tenders

It should be examined in audit that after receipt of tenders (Both Manual or online bids) a comparative statement incorporating the rates and required particulars of each tender was correctly prepared for evaluation of tender rates to determine the lowest tender value, under seal and signature of authorized authority / committee as the case may be. In case of non-acceptance of the lowest tender, it should be seen whether adequate and valied reasons there to were recorded on the body of the C/s by the tenders accepting authority. It should also been that the tender value of the accepted tender is within the financial power of the authority accepting the tender.

Audit check should also be conducted to ascertain whether there was undue delay in taking decision on the tenders, resulting in higher prices on labour, materials and fuel due to passage of time and the lowest tenderers getting opportunity to go out from his offered rates.

3.10 (d) Consideration of Fraud & corruption in tendering and Selection Stage

Fraud examination is a part of normal auditing procedures and should study the cause of

- Inadequacies in record keeping, which could be indicative of fraud and corruption.
- Violation of prescribed law and regulation concerning the procedures for inviting, receiving, processing and selection of tenders.
- Non adoption of open competitive process, manipulation in bidding terms etc.

Some possible fraud indicators are indicated below:-

- i) Contracts are awarded on the basis of vested interest of tender accepting authority.
- (ii) The contractors / suppliers submit inflated invoices.
- (iii) The purchases of goods and services are split either to avoid open competition or having to seek the approval of higher authority.
- (iv) Fake or non-existing suppliers / contractors are being selected
- (v) Specification and time frame are manipulated to favour a certain contractor or supplier.
- (vi) Improper assessment / non-assessment of actual requirement before making selection of tenderers.
- (vii) Specification are not clearly defined in NIT.
- (viii) Unusual involvement of an official in the process of NIT
- (ix) Evidence of early receipt of information by some contractors or suppliers.
- (x) NIT was not properly advertised.
- (xi) Unusual handling of bidding process
- (xii) Exception to the tender deadlines.
- (xiii) Changes in the bids made after their formal receipt.
- (xiv) Lowest responsive bidder is not selected
- ((xv) Unusual withdrawal of bids
- (xvi) Re-bid results identical to original bids
- (vii) Inadequate justification for selecting single bidder.

These are only illustrative example. Auditor may find different kind of indicators for fraud and corruption in course of the audit scrutiny of bidding documents.

[Authority: C & AG letter No.126 / Audit (AP) 1-2004 Dt.6.9.06 regarding role of audit in relation to cases of fraud and corruption]

3.10 (e) Audit of Contract or agreements

The responsibility for entering into contracts, for works to be done, or supplies to be made, and for enforcing them rests with the Executive Departments. Scrutiny of contracts or agreements is an important function of audit. In course of scrutiny of contracts or agreement in general and in respect of works selected for detail analysis it should be examined to see, whether the contracts or agreements have led to loss or wastage of public money, due to non-incorporating of safe guarding clauses or non-enforcing of the clauses or conditions of contracts when stands applicable. The principles as laid down in Chapter-7 C & AG's MSO (Audit) 2002 should be followed while conducting audit checks of contracts or agreements. Some of the audit principals are indicated below:-

- i) As far as possible, standard forms of contracts should be adopted.
- ii) The terms of contract must be prices and definite and there must not be room for ambiguity or misconstruction.
- iii) Legal and financial advice should be obtained in drafting the contracts before interning into.
- iv) No conditions of uncertain and unusual character should be entered into.
- v) Terms of contract once interred into should not be materially varied without the prior consent of the competent authority.
- vi) Even in cases, where a formal written contract is not entered into, no orders for works and supplies should be placed without at least a written agreement in regard to price.
- vii) All important particulars regarding nature, of works to be done or supply to be made , rates agreed and accepted, period and target dates for commencement and completion etc. must be incorporated in the contracts or agreement.

- viii) Mode of payment, to be made, amount to be deducted on account of Security Deposits, Income Tax, AGST / VAT, Forest Royalty, Hire Charges of machineries and T&P etc. should be included in the contracts agreements.
- ix) The Contract contains clauses for safeguarding the interests of the Govt. by incorporating penal clauses in regard to non-completion of works / supplies as per agreed time schedule Security for due fulfilment of contractor is taken unless specially ordered otherwise by the competent authority.
- x) That if materials are to be supplied by Government, the items of materials to be supplied, the place or places of delivery and the rates to be charged to the contractors are specified in the contract and that such rates do not differ from the rates notified in NIT.
- xi) That rates to be allowed are clearly stated and that if the contracts provide for payments for work done at a specified percentage above or below the estimated rates, it is stated in clear terms that such percentage will be calculated on the gross and not on net amount of the bills for work done.
[Note 2 of Rule 336 of Assam Financial Rules]
- xii) That transaction relating to two or more separate working estimates are not covered by a single contract or agreement (Rule 317 © of AFR).
- xiii) All correction in the agreement are attested by both the parties.
- xiv) That the agreement was executed by competent authority before incurring of liability.
- xv) Whether the rates entered in the original agreements are the same as tendered against the NIT, by the contractor / tenderers.
- xvi) That the agreements are not revised on the ground that market rate have risen after the entering of an agreement.
- xvii) A definite condition provided in the agreement that, water that may be required for constructional works , will have to be arranged by the contractor himself.
- xviii). The contract or the agreement should lay down the condition for imposition of
• Compensation for delayö maximum upto 10 percent of tender value and the balance work to be got done through other contractor or agency at the risk and cost of the original contractor etc.

In course of scrutiny of vouchers relating to works or supplies, it should be examined in audit that, in addition to above mentioned checks all relevant contracts agreement are made considering the provisions made in Assam Financial Rules are being applied accordingly, by the executing authority, while making payments for works done or supplies made.

3.10 (f) Type of fraud and corruption in contracts or agreements

The following type of fraud and corruption may occur in Entering into Contract agreements for goods and services.

- (a) Changes are made in the original contracts requiring flow of additional funds, from the Government to the contractor / suppliers without adequate explanation.
- (b) Contractors are being granted extension of time in relaxation of the provision of contracts.
- (c) Inadequate particulars regarding quality of goods and services incorporates in contractor or agreement.
- (d) Contracts repeatedly awarded to one contractor.

[CAG's letter 126 / Audit / AP / 1-2004 dt.6.9.06]

3.11 Points to be seen during analysis of selected works

Besides the checks to be exercised on various records as per the C & AG's MSO (Audit) and C&AG's MSO secret memorandum of instruction regarding the extent of audit, in depth analysis is to be done on all relevant records of selected works / schemes. Since different types of works like roads, bridges, irrigation scheme, construction of embankment etc., executed by PW Divisions have their own separate characteristics, it is difficult to lay down certain uniform set of procedures for works analysis. Audit team has to be innovative and has to adopt method of analysis and investigation with reference to the characteristics in the context of examination of different works. However audit should direct its attention towards the scrutiny of the following aspects.

- (i) That before preparation of estimate for the work adequate and proper survey and investigation were carried out,

- (ii) That cost of all items of work was determined with reference to the prevailing cost of materials and labour in the locality.
- (iii) That the cost of the work was not understated at the stage for getting it included in the budget, necessitating a substantial revision towards high cost at a later stage.
- (iv) That, funds for execution of the work were arranged and whether inappropriate funding resulted in poor progress, idle investment, cost and time overrun and delayed benefits.
- (v) whether there was any irregularities and delay in accepting of tenders leading to extra expenditure due to increase in the cost of labour or fuel.
- (vi) That the accepted tender rates are very low for certain items where quantity to be executed is large and vary high rates for items where quantity is small, but in actual execution the position of quantities executed is found reverse (i.e. large quantities were executed where the accepted rates were very high, and small quantities were executed where the accepted rates were low), leading to huge extra expenditure. In such cases it is to be examined whether, on the basis of quantities of various of work, as actually executed some other tender received for the work would have been cheaper. Extra expenditure involved on this account should be worked out and commented upon.
- (vii) It is to be seen whether the items of work treated as extra are really so and could come under any of the items of the accepted tender. It should be ensured that no extra benefit is extended to the contractor because of treating some items as extra.
- (viii) Delay in supply of materials by the department (as per tender agreement) will naturally necessitate grant of extension of time to the contractor. In case the contract has any escalation clause, the financial impact of the delay in completion should be worked out and commented upon.
- (ix) Whether extra expenditure was incurred by the department owing to delay in making the work site, drawing designs, etc. available to the contractor is to be seen.

- (x) Whether advance if any to contractors were allowed strictly as per of contract and relevant rules and that no unauthorized benefit was allowed.
- (xi) It will have to be seen whether in any case contractor had gone to arbitration or to court and the awards went in favour of contractors. The pleas and counter pleas in such cases should be studied to find out whether any lapse on the part of the department had led to the arbitration / court case and consequent avoidable payments to contractors.
- (xii) Whether any price escalation not provided for agreement was allowed to contractors.
- (xiii) Proper sequencing of different items of work is very important in the execution stage. In the absence of correct sequencing it may so happen that some items of work will have to wait completion of some other items. If the contractor are different, the contractors for the items of works which had to be delayed for non-completion of some other items by another contractors will naturally claim for extra payment. This aspects is to be seen
- (xiv). It has to be seen whether the quantity of materials issued to the contractor is in excess of the quantity as estimated by specification of work. Excess issues of materials not utilised in the work amount to extra benefit, in as much as the market rates of materials are generally higher than the departmental issue rates. Further it has to be seen that no carriage or other incidental charges are borne by the department for moving the materials beyond the place where from the contractor was to take delivery thereof.
- (xv). In case of constructional works, being done departmentally it is to be seen that the works proved not expensive then construction through contractors calculated at the rates allowed for such work at that time and place. However, before commenting upon such cases it should be examined whether departmental construction had to be undertaken because

- Contractor were not interested to take up the work due to inaccessible area of work site.
 - Contractor does not have required expertise etc.
- (xvi) It is to be seen that all conditions of contracts are fully materialised in cases of works left incomplete by the contractors and the balance works had to be done through another contractors.

3.12 Auditing in IT environment

1. The IT audit wing of Headquarters office had designed a New Survey Questionnaire for IT Application in Auditee Units for gathering the basic information in respect of each auditee units (Annexure-VII). Head quarters office instructed that, information so gathered through field parties may be compiled and updated regularly so that, consolidated and comprehensive information about the status of IT Application with each auditee unit could be assessed at any point of time by the Head of the office and also at Headquarters level.

[C&AG's No.217-Audit (AP) 15-2002 Dt.2.12.2004]

2. The Regulation on Audit and Accounts, 2007 embodies a chapter containing for auditing in information technology Environment. Auditing in IT environment is a methodology of audit and can be applied to all types of audit, namely financial audit compliance audit and performance audit. An auditable entity is required to maintain complete documentation related to all the stages of development of an IT system. The documentation shall also include user requirement specification system requirement specification and system design and development details. The auditable entity is required to document all changes in IT system and also to ensure that, all requirements for the purpose of facilitation of audit are incorporated in the IT system. Audit has the right to access to the IT system, irrespective of the fact whether the system are owned, maintained and operated by the auditable entity or by any other agency on behalf of the auditable entity. Audit may call for information from the auditable entity about various IT system in use or being developed at periodic intervals. Depending upon the audit task the audit officer may use IT tools as appropriate for collection and evaluation of evidence.

[Regulation on Audit and Accounts Chapter-II]

3. Since many records are produced by computers in the usual and ordinary course of work, auditor should understand how to collect and handle those records as audit evidence. Collecting computer evidence requires careful planning and execution. Auditor should examine whether appropriate control, are in place in order to ensure the authenticity of computer evidence.

[Para.15.13 Annex to standing order on the role of audit in relation to cases of fraud and corruption] No.126 / Audit (AP) 1-2004 Dt.6.9.06

4. IT fraud could involve the manipulation of computer or computer data by whatever method in order to dishonestly obtain money, property or some other advantage of value or to cause loss. The role of audit in relation to IT fraud are discussed in Para 16.4 to 16.8 of Annex to the standing orders on audit of fraud and corruption communicated vide C&AG's letter No.126 / Audit (P) / 1-2004 Dt.6th September 2006.

3.13 Audit Observation on analysis of Selected Works

Some of the categories of audit observation on analysis of works, are shown below:-

- | | |
|--------------------------------------|---|
| (i) “Infructuous Expenditure” | Expenditure incurred on works of defective design, planning and estimates followed by major corrections, abandonment or change of the site of the works. |
| (ii) “Avoidable Expenditure” | Payment made to the contractors on account of interest due to delayed payment for works done, against running A/c or running final bills. |
| (iii) “Extra Expenditure” | Due to delay in finalisation of Tenders, the offered lowest rates could not be materialised, and higher rates from subsequent tenderers had to be accepted; or injudicious rejection of acceptable tenders; or execution of works beyond the sanctioned estimated quantity. |
| (iv) “Cost over run” | Slow progress of work due to delay in handing over the work-site, drawings, design or supply |

of departmental stores for the works in terms of contract agreements.

- (v) **“Unauthorised Expenditure”** Taking up of work without AA or shifting of the location of approved work.
- (vi) **“Undue financial benefits”** Non-deduction of Security Deposit / interest on Mobilization Advances inadmissible Machinery-Advances etc.
- (vii) **“Unproductive Expenditure”** Expenditure of idle staff or Machineries.
- (viii) **“Doubtful Expenditure”** Supporting Vouchers, ARPs and relevant records were unavailable.
- (ix) **“Misappropriation of Govt. Money”** Forged challans.
- (x) **“Fraudulent drawal of fund”** Fictitious bills. LTC claims etc.
- (xi) **“Overpayment to contractors”** Disproportionate with the actual execution of works / supplies.

3.14 Register & Other records to be examined

i) Register of works:- A detailed record of the expenditure relating to each sanctioned work should be kept in a register in Form PWA-12. It is a permanent and collective record of expenditure incurred on all works carried out during a year should be maintained in the divisional office. The register should be posted monthly from works Abstract, where all transactions relating to a work during a month, whether in respect of cash, stock or other charges are to be kept, against each working estimate. Before the date of submission of monthly accounts to the Accountant General (A &E), the posting of the Register of works should be completed and the register should then be laid before the divisional officer for review. The monthly accounts of each work on which there has been expenditure during the month should be initialled (dated) by the divisional officer in the column set apart for the purpose, in token of his having examined the entries and found them correct.

It is an important object to close the accounts of work as soon as possible after the actual work of construction is completed. It should also be seen that further expenditure are not incurred unless otherwise authorised by the competent authority.

[Authority:- 141 to 143 of Account Code Vol.III]

It should be seen in audit that:-

- (a) The Register is maintained according to the requirement of Account Code Vol.III.
- (b) The monthly postings are correctly made and agreed to the relevant voucher etc.
- (c) In case no expenditure was incurred on any work for a few months, the reasons therefore should be investigated in order to find out whether the construction was stopped or abandoned resulting in infructuous expenditure.
- (d) In case any work was left incomplete by a contractors the reason thereof should be investigated to find out whether it was due to any fault and lapse on the part of the department and if not whether penal actions per provisions of contract was initiated against such contractor.
- (e) The accounts of works are closed and all liabilities are settled and suspense accounts are also cleared accordingly. (Rules 358 of the Assam Financial Rules)

3.14(ii) Contractors Ledger

The Accounts relating to contracts should be kept in the Contractor's Ledger in form PWA-14. A set of folios should be kept reserved for each contract, excepting in respect of the work or supply entrusted to a contractor is such that no payment except on a first and final bill on completion of the work is made.

The value of work done or supplies made by a contractor should not be credited to his account until his bill has been passed and payment made thereon. Debit entries in the ledger should be made only on the basis of Transaction recorded in the accounts from the supporting cash, stock or adjustment vouchers and liabilities not yet cleared should be excluded. The value of materials issued to contractors should be debited on the authority on his acknowledgement.

The ledger account should be closed monthly showing the amount outstanding under each of the three suspense accounts (1) Advance Payment, (2). Secured Advance and (3). Other transactions (Article 150 to 153 Account code Vol-III)

In audit it should be seen that:-

- (a) Acceptable reasons exist for delay in adjusting Secured Advance outstanding over six months.
- (b) Value of stock supplied agree with the entries in the monthly abstract of stock issues.

(c) Advance, cost of materials issued, penalties imposed or other recoveries ordered etc. have been debited to contractor's ledger to watch their recovery.

3.14(iii) Measurement Book

A detailed account of measurement in quantities of work done otherwise than the daily labour or on lump sum contract and all supplies, should be kept in a Measurement Book as per form prescribed and in accordance with the instruction contained in the fly leaf of the MB.

Measurement book, may not however be used in case of works of periodical repairs of building for which a standard measurement books of building are generally maintained. (Article 123.24 of Account Code Vol.III).

During local inspection it should be seen that:-

- a) The entries are in accordance with the instruction contained.
- b) Measurement are recorded and signed by the senior officer when measurement are taken jointly by two or more officers.
- c) The abstract of measurement bears a reference to a number and date of vouchers of payment.
- d) The mode of measurement and arithmetical calculation are correctly made and the Divisional Accountant / Accounts Officer exercises necessary checks on them.
- e) Stock of unused Measurement Books agrees with the book balance.
- f) Measurement book containing Cancellation of measurement is supported by dated initial of the officer ordering the cancellation and also contains full reason for the same.
- g) Records of check measurement by Assistant Engineer and Executive Engineer is recorded at the end of the MB with percentage of check measurement done as have been directed by CE or as per execution manual / instructions.
- h) Acknowledgement are taken from responsible persons whenever MBs charge hands.
- i) Attempt should be made to prove, if it is observed that entries in the MBs are made directly from the estimates concerned, in stead of conducting actual measurement of work executed.

j) The completed MBs are promptly return to the Division office and their retention for the prescribed period of 10 years after the date of completion of the work.

Loss of Measurement Books

The inspecting officer should investigated cases of lost MB since last inspection and incorporate the result of his investigation in the IR. It should also be seen that:-

(a) A list of all claims for works or supplies made as per measurement made vide lost MB should be prepared by a responsible officer irrespective of the fact, whether payments for such works have already been made or not.

(b) The list should be verified with reference to bill register, copies of bills, vouchers, cash book and cheque counterfoils to ascertain that non of the claims entered in the list is for double claims / payments.

(c) After verification as stated above, the works for which payment are not made such works should be re-measured in a fresh MB for payments as usual.

(d) It should be seen that deduction for void or shrinkage is made at the rates specified as per analysis of rates / schedule of rates of the department.

3.14 (iv). Schedule of rates

A schedule of rates (SOR), for each kind of works commonly executed by Public Work Department is required to be kept in each divisional office. The SOR is prepared on the basis of market rates prevailing in each locality under Rule 360 of Assam Financial Rules. The rates entered in an estimate generally agree with the SOR. If any departure from these rates is made there should remain on records a detailed analysis for such departure showing how the rates used in the estimate have been arrived at.

It should be seen in audit that the SOR is supported by the following analysis.

a) Detailed data showing the quantity of materials and labour required and the cost thereof, with initial lead and lift, at the rates prevalent in the Division or sub-division concerned.

b) SOR for supply of materials of all kind.

c) SOR for different kind of skilled and unutilised labour.

d) SOR for transporting materials, prevalent in each locality for varying distances on metalled, unmetalled road and cart truck of water ways etc.

e) That when two or more divisional officers are situated at one place, a comparison of the rates prevalent in the various division for the same items of work should be made to see that the rates are not extravagant in any of the division.

3.14 (v).Road Metal Account

Road metal accounts should be examined to see that the account of Receipts, issues and balances of road metal are maintained properly. The Road metal accounts of each road showing Kilometer wise position of receipt and issues should be kept for each kind of metal.

It should be seen in audit that the verification of road metal has been done in accordance with the instructions contained in Rule 229 read with Rule 347 of Assam Financial Rules.

The road metal statement required monthly in the divisional office from the Sub-Division bears evidence of check by the Divisional Accountant / Accounts officer with reference to voucher in which payments for collection was made.

3.14 (vi) Suspense Registers:- Suspense Register viz Deposit Registers Misc. PW Advance Register CSSA Register etc. should be examined to see that there is no undue delay in the Clearance of suspense and other balances and that no items are outstanding in respect of adequate action has not been taken with a view to expediting their settlement.

3.14(vii). Service Books & Leave Accounts:- The Service books of the subordinate establishment should be carefully scrutinized with reference to the following points.

(a). That Service Book / Service Roll is maintained for each non-gazetted Government Servant.

(b). That entries of all in the official career of a Government Servant are duly and promptly made in service books / roll under seal and signature of competent authority.

(c). A few entries of pay and allowances as shown in the Service Book / Roll should be checked with those in the Pay Bill. Some leave Accounts should also be checked to see that entries there in have been correctly made.

3.14 (viii) Acquittance Rolls:- Acquittance rolls and receipted office copy of the establishment bills should be checked to see that the documents are duly and carefully preserved that payees' acknowledgements are on record and that arrangements for keeping a proper watch over undisbursed amounts are satisfactory. Amount of the bill drawn, should be verified with the amount of disbursement made. Sanctioned strength and MIP in the Acquittance rolls are agreed, no fraudulent drawal is made.

3.14 (ix) Work-charged Establishment:- The list of work-charged establishment employed in a division should be scrutinized to see-----

- (a). That proper sanction exists for each of the posts.
- (b). That provision for the purpose has been made in a separate sub-head of the sanctioned estimate.
- (c). That all appointments in the work charged establishment and payment of wages to them are covered by necessary sanction of the competent authority.
- (d). That each sanction specifies the scale of pay, the period of sanction and name of works as given in the sanctioned estimates.
- (e). That no persons were engaged much ahead of its commencement or retained after its completion leading to unproductive expenditure.

3.14 (x) Muster Rolls:- Muster Rolls should be examined to see that the instructions contained in Rules 291 and 292 of AFR for their preparation and payment are followed. It should be seen in audit

- (a) That the payments are made only to daily labourers.
- (b) That certificate of disbursement has been recorded by the disbursing officer and acknowledgement for payment made has been obtained from each labourer.
- (c) That the cost of labour is not more than the value of work done through usual contract basis as per rates applicable as per Schedule of rates.

3.14 (xi) Material at Site Account:- In the scrutiny of Material at Site Account it should be seen:-

- (a) That closing balances of various materials in the Account of the previous months has been correctly brought forward as opening balances.
- (b) That receipts and consumption of material during the month agree with the quantities as per the respective voucher, Transfer entries orders etc.
- (c) That the closing balances of materials at the end of the month have been correctly worked out.
- (d) That physical verification of materials lying at sites of the work is conducted periodically and at least at the end of each year, on completion of the work commenced, and when the officer- in-charge of the work is transferred.
- (e) That action has been taken to transfer the usual materials to :-Stock or other works or to recover the value of materials found short or damaged, from the person found responsible for the shortage or damage.
- (f) That in cases where materials have been remaining unused for a long period of time, say for more than 6 (six) months, adequate reasons exist for procuring them in advance of requirement.
- (g) Materials of site Accounts of completed works including those transferred to other works or stock, should be scrutinized to see that these materials were obtained in excess of actual requirement or in advance of requirement or became surplus due to charge of design, specification of the work etc. such cases of lack in proper planning should be commented upon.

Audit of Vouchers in Local Inspection

3.15 Contractor's Bills for works and supplies:- It should be seen in audit that -----

- (a) The quantity of each item of work / supply has been correctly entered in the bill from the measurement book, and rates allowed agree with the rates as per Contract Agreement.

In respect of bill relating to percentage rate contracts allowing rates at a certain percentage above the Scheduled rates, it should be ensured that the percentage increase is not allowed on the substituted and / or extra items for which analysed rates are included in the contractor's bills.

- (b) The advance payments and / or secured advances etc. if any have been made, are according to the prescribed rules and on not below the rank of Asstt. Executive Engineer and these advances are recorded in the Contractor's Ledger, to watch their recovery.
- (c) That recoveries of Advance payment, Secured Advance, cost of materials issued to contractors, and hire charge of tools and plants etc. have been made from bills as per relevant rules.
- (d) The Security Deposit at the appropriate rate has been recovered from the bills and the amount credited in the register of deposits against the name of contractor.
- (e) The figure shown in the memorandum of payment of Contractors Bill against the item "total payment already made" has been correctly recorded from the previous bill.
- (f) That in the case of percentage rate contracts allowing rates at a certain percent above or below the SOR the value of work done and measured has been increased or decreased accordingly as per the contract.
- (g) That the work or supply was completed within the date as stipulated in the contract and that no extension of time was granted without justification. In case of delay in completion of work / supply because of contractor's lapse and consequent increase in cost, it should be seen whether penal action was initiated against him. If the delay was due to fault of the department such a delay in handing over the site of construction, in supplying designs, drawings or materials as per contract etc., which should be commented upon.
- (h) That in respect of final bills involving consumption of materials, theoretical consumption Statement of materials should be subjected to detailed check with supporting document like measurement Books, material at site Account, estimate etc. In case of any variation noticed between the theoretical consumption and the actual consumption these should be examined to see whether it is indicative of sub-standard works justifying payment at lower rate than the agreed rate. If the variation is in excess the recovery for excess quantity should be effected at penal rate as per provision of standard contract agreement.
- (i) That all deduction on account of I. Tax, AGST, etc. as per prevailing rate or as per condition of contract should be made for onward remission to the revenue of accounts of the Govt.

Bills relating to purchase of stores

In the case of bills relating to supply of materials / articles whether they were taken into stock account, materials at site account, tools and plant account Road metal account as the case may be

- (j) That vouchers are entered in a chronological order and are given distinct serial no. and date.
- (k) That claims are clearly stated as due and admissible.
- (l) That arithmetical calculation are correct.
- (m) That receipts of the claimant are available
- (n) That all vouchers are duly stamped and cancelled to avoid possibility of double payment.
- (o) That payments are made in time as far as possible.
- (p) That vouchers are correctly classified into appropriate head of account as per sanctions.

The following additional checks should be exercised while auditing Vouchers relating to procurement of stores.

It should be seen that -----

- (i) Purchase have been made within the provision of well defined departmental regulation, rules, orders and instructions.
- (ii) That the quantity purchased was determined taking into consideration of actual requirement for the present and immediate future only.
- (iii) That the purchase are made after inviting competitive tenders, and that the lowest under the approval of the competent authority.

(Rules 137-161 of GFR)

- *(iv) That stores procured are of approved quality and specification.
- *(v) That purchase have been made as per well defined delegation of powers of the department.
- *(vi) That purchase orders are not split up so as to avoid the necessity for obtaining the sanction of higher authorities (Rule 148 of GFR)
- *(vii) In cases where advance was paid to suppliers. It should be examined to see that.

- (a) an agreement was made safe guarding the interest of the Government.
- * (b) The amount of advance is within the admissible limit and is not paid ahead of a longer time.
- * (c) A proper record of such advance is kept to watch recovery and adjustment.
- * (d) Stores were received within the stipulated period as per conditions of contract / orders.

[* Internal controls Evaluation Manual-2009 Chapter.6]

3.16 Stores and Stock Account:-

The term 'Stores' applies generally to all articles and materials purchased or otherwise for use of Government. It includes both consumable and non-consumable stock of the nature of plant and machineries, instruments, furniture, fittings fixtures etc. Management of stores and stock embraces acquisition of stores, their custody, distribution / issues according to their requirement and disposal. Article of stores are broadly divided into (a) Priced article (b) Unpriced articles (i.e. those for which numerical accounts only are maintained and no value account)

The audit of payments for the purchase of stores is conducted according to the rules prescribed by the C&AG in regard to the audit of expenditure. Since any irregularity in the utilization and disposal of public 'stores' is equivalent to misuse or illegal appropriation of public money, an audit of expenditure of money spent on purchase of stores can not itself be a complete audit of final application of the money without the audit of disposal of stores. Section 17 of C&AG's DPC Act 1971 vests in the C&AG the authority to audit and report on the accounts of stores kept in any office or department of the Government.

3.16 (A) Purchase of stores

As regards purchase of stores it has to be seen in audit that:

- i) The purchase are covered by proper sanction.
- ii) The purchases are made economically and in accordance with any rules or orders issued by competent authority.
- iii) The authority making purchase has not exceeded the monetary limit / power delegated to it.

- iv) The orders for purchase / supply have not been split up in order to avoid the necessity of obtaining sanction of higher authority required with reference to the total amount of the orders.
- v) The system of competitive tenders was adopted and that purchase was made from the lowest tenderer, unless there are recorded reasons to the contrary.
- vi) The rates paid agree with that shown in contract agreement made for the supply.
- vii) Certificate of quality and quantity of stores received and of their proper accounting in stock Accounts / Tools and Plants account of the particular month or the material at Site Account of the particular work / project are furnished by the Government servant responsible for such receiving and passing of the claims for payment.
- viii). There has not been unnecessary purchase or purchases in excess of requirement for a reasonable period of time leading to locking up of capital.
- ix) Purchase for specific works have not been made unless estimates for those works have been sanctioned.
- x) Value of store in stock account does not exceed the reserved stock limit fixed by the Government / Competent Authority.

Audit should point out cases of uneconomical purchase of stores, irregularities in accounts and losses that can be due to defective and inferior nature of stores accepted and certified to be of good quality, losses due to prolonged or improper storage of consumable goods etc.

3.16 (B) Receipt and issues of stores

Stores of public works divisions fall into two districts categories as shown below:-

1. Stores debited to 'suspense' i.e. stock
2. Stores debited to final heads of
 - (a) Tools and plants.
 - (b) Road metal.
 - (c) Materials charged to works.

As regards stores debited to 'suspense' it is to be seen in audit that, all materials required have been entered in the 'Good Received Sheets' (GRS) and therefore taken into Bin Card of respective items of materials. Issues of stores from stock are to be checked in the following manner.

- i) That issues have been made on receipt of indents duly allowed / authorised by competent authority and the indents bear signature of officer receiving the materials.
- ii) That materials shown as issued to works have been accounted for in the material at site Account of the respective work and the value of the materials debited to the accounts (Works abstract) of the work concerned.
- iii) There are no fictitious adjustments in stock account (Reference Rule 217 of Assam Financial Rules)
- iv) Value of materials issued to contractors has been debited to the account of the respective contractors in 'Contractor Ledger' as per rates as laid down in the Contract agreement. In case where the contract agreement does not provide for departmental supply of material, but materials are issued at the request of the contractor and in the interest of work, it should be seen whether the rates charged was the market rate prevailing at the time of supply or the issue rate, whichever was higher.
- v) That in case of issue of material to other division, necessary debit have been raised against the Division concerned through Proforma Bills, since the practice of Cash Settlement Suspense Accounts (CSSA) was discontinued with effect from 1979.
- vi) That value account of stock materials are maintained and issue rates are fixed or re-fixed in accordance with the provision contained in Rule 213 and 21 Assam Financial Rules.

3.16 (C) Priced Store Ledger

It should be seen in audit that 'Priced Store Ledger' have been maintained properly in divisional office from copies of GRS and indents received from the office in charged of stores. The priced Store Ledger is maintained and closed monthly bringing out the quantity and value account of each item of stores under the seal and signature of the Divisional Officer.

3.16 (D) Tools and Plant (T & P)

Tools and plant of a division are of two kinds:-

i) **General or ordinary T & P**

Tools and plant which are required for general use of the division, and the cost of which is debited to minor head "machinery and equipment".

ii) **Special T & P**

Special T & P are those which are required not for general use for a specific work / project and the cost of which is debited to the account of the work / project concerned.

Receipts of T & P of both the categories as stated above should be accounted for in the T & P Ledger from the "T & P Received Sheets".

For issues it should be seen that, these are supported by a requisition known as "T & P issue sheet" and that the issues as per such indents have been currently posted in T & P Ledger.

iii) **Hire charge of T & P materials**

When tools and plant are lent to local bodies contractors, or others, it should be seen whether hire charges as determined in accordance with rules in force are being recovered.

iv) **Other recovery**

In case of damage or non-return of T & P materials by contractor, it should be seen whether action for recovery of the value thereof has been taken.

v) **Physical Verification of Stock & T & P**

Both in respect of stock and T & P materials it should be seen that physical verification thereof has been done in accordance with the instructions contained in Rules 220 and 227 of the Assam Financial Rules.

It should also be seen in audit that any profit in stock account has been adjusted in account by credit to revenue and loss if any has been debited to "Misc. Public Works Advance". After obtaining sanction to write off from the competent authority, the amount should be treated as "Loss of stock" by credit to "Misc. Public Works Advance".

vi) **Disposal of unserviceable stores and T&P**

It should also be seen (a) that measures have been taken to survey, sort out, segregate and consider disposal of unserviceable or obsolete stores in accordance with the prescribed procedure and (b) that in respect of articles not likely to be used by the Division within a responsible period of time attempts have been made for their transfer to other division / department where these might be required for use.

3.16 (E) Audit checks on Stock & T & P materials

The following additional check may be examined in local inspection:

- i) Whether there has been rush of expenditure on procurement of at the close of the financial year and made fictitious booking merely with a view to utilizing the budget grants.
- ii) Whether differences between book balance and ground balance were reconciled from time to time.
- iii) Whether value of materials sale on credit are remaining unrealised for considerably long periods.
- iv) Whether Bin Cards have been maintained chronologically based on receipt and issues.
- v) Whether issue rates once fixed and reviewed periodically in consideration of prevailing market prices and revised where necessary.
- vi) Whether discrepancies found on stock verification are properly investigated and reconciled.
- vii) Whether adequate storage facilities are available and precautionary measures have been taken to protect stores from damage, undue deterioration, theft, pilferage etc.

[Internal control Evaluation manual Chapter-6]

3.17 Supervision & Review:-

The work of audit staff at each level and at each phase should be properly supervised during audit and a senior member of the audit staff should review the documented work (Regulation 29 (2))

Supervision is essential to ensure the fulfilment of audit objectives and the maintenance of the quality of audit work. Proper supervision and control is therefore necessary in all cases, regardless of the competence of individual auditors. It should be done to ensure that:-

- (a) The members of the audit team have a clear and consistent understanding of the audit plan;
- (b) The audit is carried out in accordance with the auditing standards and practices of the SAI;
- (c) The working papers contain evidence adequately supporting all audit conclusions, findings, opinions;
- (d) The auditor achieves the audit objectives; and
- (e) The audit report includes the audit conclusions appropriately.

All audit work should be reviewed by a senior member of the audit staff, before the audit opinions or reports are finalised to ensure that;

- (a) All evaluations and conclusions are soundly based on competent, relevant and reasonable audit evidence.
- (b) All errors, deficiencies have been properly identified documented and brought to the attention of a more senior SAI officer; and
- (c) Changes and improvement necessary to the conduct of future audit are identified, recorded and taken into consideration for later audit plan.

[C&AG's Auditing Standard, 2002]

Supervision is required to be exercised by senior members of audit team and audit management at various levels.

- i) By the Senior Audit Officer / Audit Officer during the course of field audit,
- ii) By Group Officer and,
- iii) By the Accountant General during review of periodic reports, during planning, and monitoring interim appraisal.

[Para.8.5 of Financial Asset Audit Manual]

3.18 Supervision of field parties by the Group Officers:-

A number of instructions were issued from Headquarters from time to time emphasizing the need for supervision of field parties by the group officers, from 5 to 10 days a month. The supervisory visits by Group Officers are not only necessary to familiarize, guide, supervise and monitor peripatetic audit teams deployed in the field but are also essential for professional growth of the group officer in terms of knowledge and experience gained through interaction with the auditee organizations, understanding of the ground realities in which actual audit are performed. The Accountant General should determine the frequency and duration of field inspection, to be done by group officers considering the annual work plan of each group officers and charges he / she holds, or overall work load handled by them.

Each group officer should therefore prepare an annual travel plan correlated to annual audit plan of his charge identifying specific audit including performance audit and the stage that would require his / her supervision. The Accountant General would invariably monitor compliance with such tour / travel plans and deviations, if any, would need to be justified and approved by the Accountant General. In addition to above stated pre-planned visit, group officers should conduct supervise inspections or unexpected visit for the purpose of preventive or detective control after obtaining due approval of the Accountant General. The Head Quarter Office should be informed through an appreciation note indicating the number of days of inspection planned for Group Officer supervision for the current year and number of days performed on such supervision during the previous year. AG's Appreciation Note on Group Officers Supervision should be sent on half-yearly basis to H.Qr. Office starting from Sept 2009.

[C&AG's letter No.375-Audit (AP) 236-95-II Dt.18.12.08 and No.4 Audit (AP) 236-95 No.103 Audit (AP) 226-95 Dt.25.6.2007, No. 23 Audit (PPU/230 dt. 17-03-2009]

3.19 Audit Evidence & Documentation:-

(A) Evidence:- Audit evidence is the information collected and used to support audit findings. The conclusion and recommendation in the audit report stand on the basis of evidence. It is therefore important that the nature, quality and amount of evidence collected should be appropriate, relevant and sufficient.

The evidence used by audit shall normally and as far as possible be documentary including electronic records, photographs, result of any survey etc. The evidences may be from internal sources of the auditable entity as well as from external sources. Where required by audit officer the auditable entity shall attest the data, information and documents forming the evidences.

[Regulation 170-171]

An evidence is competent when it is valid and reliable and actually represents what it purports to represent. Some factors that can help in assessment of the evidence from the point of view of reliability are:

If an evidence is corroborated with the help of different types of evidence obtain from other sources.

Documentary evidence is more reliable than oral evidence;

Evidence obtained through direct observation is more reliable than indirectly obtained evidence;

Oral evidence, which is corroborated in writing is more reliable than oral evidence alone.

Photocopies being less reliable evidence than the originals, the source of photocopies should be identified noting the source and as far as possible, the photocopies should be certified and

Evidence which is accepted by the entity, is always reliable.

[Para 5.5 of performance auditing Guidelines 2004]

3.19 (B) Documentation:-

C&AG's Auditing Standard 2002 (Para.8 Chapter-III) state that auditor should adequately document the audit evidence in working paper. Working paper should contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditor's significant findings and conclusions.

Adequate documentation is important for several reasons such as:

- (a). Confirm and support the auditors opinions and reports;
- (b). Increases the efficiency and effectiveness of the audit.

- (c) Serve as source of information for preparing reports or answering any enquires from the audited entity or from any other party.
- (d) Serve as evidence of auditor's compliance with auditing standards.
- (e) Facilitate planning and supervision;
- (f) Helps the auditors professional development;
- (g) Help to ensure that delegated work has been satisfactorily performed;
- (h) Provide evidences of work done for future references.

The auditor should bear in mind that the content and arrangement of the working papers reflect the degree of auditor's proficiency, experience and knowledge. Working papers should be sufficiently complete and detailed to enable an experienced auditor having no previous connection with the audit subsequently to ascertain from them what work was performed to support the audit conclusions (Chapter-III, Auditing 2002).

3.19 (c) Sending of D.O letter to PAG (Audit)

Inspecting Officer / Inspection Auditor of the party will write D.O letter to the Principal A.G (audit) on monthly basis highlighting the works done by the party during the month and difficulties faced, if any, in carrying out the inspection.

[Authority:- Principal Accountant General Order Dt.10.7.2008 at P/35 N in File No.IC-I / 1-80 / Qty – Meeting / 2008-09 Principal AG's order Dt.30.6.09 during Quarterly Meeting No.WA-I / 2-23 / QM / Vol-II / 09-10 / 126-35 Dt.25.7.09]

3.20 (A) Entry Conference

The Inspecting Officer/Inspecting Auditor should seek an entry Conference at appropriate over the functionings under the present audit. The entry conference would be an opportunity for audit team to explain the audit objective, criteria and examination of internal Control System. It is desirable that the entry Conference is held on the first working day of the audit period.

3.20 (B) Exit Conference.

On the conclusion of the audit, the audit team would request the head of the auditee unit for an exit Conference in which audit findings Communicated to the auditee should be discussed.

The request for entry and Exit Conference shall be made formally by the head of the audit team, and the proceedings should be documented accordingly.

[Authority: C&AG's D.O. No. IA.2/115-Audit/(AP)/4-2010 Dt.28-04-2010]

CHAPTER-IV

Reporting and Followup

4.1 Preparation of Inspection Reports

The Instruction contained in paragraph 6.1.20 of CAG's MSO (Audit) 2002, Chapter.14 of Regulation of Audit and Accounts 2007, Chapter-IV Para.1.1 to 1.18 of CAG's Auditing Standards 2002 should be observed in writing up inspection Report and Test Audit Note. The inspection Report should be complete and expected to be discussed with the officer in-charge of the auditee unit, before the closing of inspection. The draft inspection report should reach the works Head Quarter Section (WA-I) within 5 (Five) days from the date of completion of audit.

[C&AG's Circular No.799-TAI / 83-83 Dt.16.7.1983 and No.Nil Dt.2.8.09]

The inspecting officer should prepare in inspection Report setting out the audit observations and conclusion in an appropriate form, its contents should be easy to understand, free from ambiguity and supported by sufficient complete and relevant audit evidence. It is therefore essential that, the preliminary objection statement (POS) issued to the divisional officer from day to day during audit, should contain all information of defects in executing procedure, financial irregularities etc. The Divisional officer should be requested to furnish replies to the POS with latest possible delay. They may initiate action for settlement of audit observation with reference to the POS received during audit, without waiting for the formal receipt of the inspecting report from the audit office. The draft inspection Report should incorporate all replies received from the divisional officer against the POS (s) issued. While drafting inspection Report reference to numbers of the POS should be quoted against each paragraph.

The result of inspection should be set forth in an inspection report consisting the following parts:-

PART-I

- (A) Introductory:-**
- (a) Includes detail of creation of division / office including sub-division with proper address and jurisdiction.
 - (b) Incumbency. Name of Divisional Officers / Accounts Officer holding charges during the period.
 - (c) Budget allotment and expenditure covering the period of audit.
 - (d) Position of outstanding IR and Paras in brief.
 - (e) Disclaimer Statement.

PART-II

- (A)** Includes Major irregularities that are likely to convert into draft paragraphs of the C&AG's Audit Report and cases of system failure.
- (B)** Includes irregularities which though not major, required to be brought to the notice of higher authority.

Only such paras should be included in Part-II (A) of the IR which can be developed for Audit Report of the same year or within next 2-3 years. For paras involving serious Systematic issues, monetary limit would not apply.

[Authority:- No.137/RSCS/Coordination /Audit Plan /2008 /279 Dt.4.2.09]

- Note:-**
- i) Position of various accounts / register are to be shown in Part-I of the DIR.
 - ii) In the Introductory Para of Part-I the following sentence should be included.

öThe preliminary objection statements issued were discussed with the (designation of DDO) on (date)ö

- iii). In case the DDO is not available for discussion on the last working day, the same is to be mentioned in the introductory para of Part-I.

[Authority:- Sr. DAG's order dt.22.01.2007 at P/31^N in file No.WA-1 / 2-23 / QM / Vol-II / 2006-07/]

iv) All inspection reports should contain the following disclaimer statement "The inspection Report has been prepared on the basis of information furnished and made available by the (Name of auditee entity). The office of the Accountant General (Name) disclaims any responsibility for any mis-information and/or non-information on the part of auditee"

[Communicated vide letter No.629 ó IC / III-2005 Dated.7.10.2005]

The said disclaimer statement should be recorded in Part-I of the DIR.

Attention of Inspecting Officer and inspecting auditor may be drawn to the following additional instructions.

v) All draft IR should be submitted in Floppy (After 31.3.10)

[Authority:- PAG's Order 20.8.09 Communicated vide No.IC-I / Order / 2009 / 59 Dt.26.8.09]

vi) The party will draw up minutes of the exit meeting held on the last day of audit with the divisional officer, for submission to Head Quarter for Group officer's approval.

vii) In support of review of outstanding IR and paras, the party will prepare the report of review in duplicate so that one copy thereof may be separated from the IR and sent to concerned section for taking necessary action.

viii) Verification report on objection issued from CASS-Section if any may be submitted along with the IR.

[Authority:- PAG's order Dt.10.7.08 at P/53^N in File IC-I / 1-80 / QM / 2008-09]

PART-III

Test Audit Note

- (A) Outstanding observation from previous TAN.
- (B) Consist of procedural and minor irregularities. A schedule of items settled on the spot and the procedural irregularities in respect of which the Head of the office has assured about following correct procedure in future should be noted in this schedule. The Test Audit Note does not require a reply in detail, but it should be verified at a subsequent inspection that adequate action was taken of it.

[MSO (Audit) Para 6.1.21]

4.2 Disposal of Inspection Report at Headquarter Section

Head Quarter's office circular No.799-TAI / 83.83 Dt.16.7.83 determined a period of one month for issue of inspection report from the date of completion of inspection as shown below:-

1. Receipt of Draft IR in Head Quarter Section after the date of completion of inspection as per approved Programme	5 working days
2. Scrutiny at Head Quarter Section before putting it up for Group Officer approval (including editing work)	5 working days
3. Scrutiny at Group Officer's level	4 working days
4. For typing and issue of the report	10 working days
Total	24 days

Say ---- 1 month.

It is viewed that belated issue of inspection report not only defeats the purpose of bringing the irregularities to the notice of the executive for taking prompt remedial measures but also delays the finalisation of potential draft para cases of contemporaneous relevance. It is therefore instructed that issue of inspection report be reviewed, mentioned and controlled at the level of Group Officer with a view to issue of inspection report within the prescribed time limit.

[Authority:- PAG's Dy No.464 Dt.9.8.04 on Head Quarter Office Circular No.Dt.2.8.04] and 9-TAI – 83- No.799 – TAI / 83-83 Dt.16.7.83

Written audit reports are issued to the appropriate official of the Division / Office audited. Copies are also sent to other officials who may be responsible for taking action on audit observations. However, the report is not a public document till it is presented to the legislature.

[Para.3.1 of Chapter-IV of CAG's Auditing Standard 2002]

4.3 Control Passing and issues of inspection Report by Head Quarter Section:-

(A) Progress Register of Local Audit:- The Register for watching the receipt and issue of Inspection Report will be maintained by work Audit Head Quarter Section in the following form

Sl. No.	Name of the Divisional office inspected	Name of IO, IA and Staff	Period up to which audited	Date of audit		Date of receipt of draft IR	Date of submission to AO / DAG	Date of approval of IR
				From	To			
1	2	3	4	5		6	7	8

Date on which sent for type	Date of return from type	Date of issue	Reference of letter No. and dates	Remarks
9	10	11	12	13

Memo of submission to B.O (Works) Head Quarter.

The memo of submission to the B.O will be as follows:-

Report for the month of 2010.

1. Total number of inspection done during the month.
2. (a) Total number of Inspection Report received:-
(b) Total number of Inspection Report due to be received:-

DAG (works). The report after it has been scrutinised and edited will be issued from Head Quarter.

Settlement of Outstanding IR and Paras ----- formation of Audit Committee

For expeditious settlement of Outstanding audit objections and inspection report, a committee viz "Audit Objection Committee" was constituted as per instruction of Head Quarters office communicated vide No.29-TA-I 82 (982-TA / 45-82 Vol-II) Dt.2nd August 1982, with the following members.

1. Secretary to the state Government in the administrative department concerned.
2. Senior officer from the finance department.
3. Representative of PAG (Audit) not below the rank of DAG.

[Head Quarter office circular No.37- Audit óII / 1985 (1667- Audit II / 2-85 KW Dt.25.10.85]

The work audit Head Quarter Section (WA-II) will assist the AOC in conducting the business of audit committee. The Group Officer shall submit report to the PAG (Audit) from time to time. Minutes of each meeting of the audit committee shall be recorded.

4.6 Reply to audit observations:-

The officer in charge of the auditable entity shall send reply to Inspection Report within four weeks of its receipt. Even if it is not feasible to furnish the final replies to some of the observation of the inspection report within the aforesaid time limit, the first reply shall not be delayed on that account and an interim reply may be given indicating the likely date by which the final reply shall be furnished.

The reply shall be sent through the next higher authority along with the observation of that authority.

[Regulation 197-198]

To watch the progress of settlement of Inspection Report (IR) and paras Headquarters Section (WA-II) shall maintain a "Progress Register of Settlement of IRs" as per following format.

Sl. No.	Name of the Division Inspected	No. & Date of completion of audit	No. & Date under which the IR was issued	Due date for receipt of reply	No. and date of reminder letter issued	Date of Receipt of first reply	No. & date of letter in which further comments or remarks issued	Date of receipt of further replies
1	2	3	4	5	6	7	8	9

Date of issue of further remarks / comments	Date of closure of the IR	Remarks
		All paras outstanding for 6 months or more should be shown here and encircled as and when settled indicating the authority under which the para was settled
10	11	

The Register will be put up to Branch Officer / Sr. DAG / DAG (Works) monthly.

4.7 Objection Book

The objection Book (Form No.10) as required vide para 7.2.24 of MSO (Audit) 2002 should be maintained by works Audit Headquarter section (WA-II). The Register should be closed and submitted to the Branch Officer who shall review carefully all items therein.

Chapter-V

POINTS TO BE EXAMINED DURING THE COURSE OF REVIEW OF IRRIGATION PROJECT/SCHEME

5.1 Introduction:

Even though there is sufficient rainfall in North Eastern States during monsoon, due to change in monsoon pattern it was felt that irrigation facilities were necessary even for Kharif Crops. Besides, due to the introduction of High Yielding Varieties (HYV) of crops with emphasis on multiple cropping demand for Irrigation facilities increased and thus Department of Irrigation was set up (in ASSAM 1974). Irrigation plays a very very important role in economic development by increasing irrigation potential and optimizing the agricultural yield. To provide irrigation facilities to the cultivators throughout the year (HYV crops) by increasing irrigation potential, various irrigation Projects/Schemes were being taken up by the Irrigation Department. The Project/Scheme work involves construction of Dams, lift Irrigation Schemes for inaccessible areas, Canals, Distributaries, Field Channels and Water Course. The Execution of projects/schemes involves preparation of Project Reports, Feasibility Reports, Comprehensive Survey and investigation, Preparation of Plans, Estimates, Acquisition of Land, Environment Clearance and provision of funds etc. Completion of Projects/Schemes within the targeted time schedule requires proper planning, initial comprehensive investigation, effective execution and financial discipline including proper co-ordination and monitoring.

The following points are to be examined and analysed while conducting a Review of Irrigation Project/Scheme. It is also mentioned that these points are, by no means, exhaustive. These are by way of illustration only. Reviewing Officer may enhance the Scope of reviews, if the situation so warrants.

5.2 Methodology:

i) Review may begin at the level of the Government and concerned Chief Engineers/Directorate. For this purpose all relevant documents viz. Administrative Reports/Approvals, Technical sanctions, Reports of Estimate Committees, Annual

Action Plan, Budget Provision, Funds Releases, Financing Pattern and Expenditure incurred etc. should be gone through. Objectives of the projects/schemes should be carefully studied and commented up as regards their achievements from the 3 Es angle both physical and financial progress. Various policy guidelines issued by the Department may also be studied and made use of at appropriate places. The review should aim at bringing out a complete picture of the project/scheme. A detailed and wide ranging discussion should be held at a sufficiently Senior Level officers and this discussion should also be attended by the members of the concerned Audit Party and a detail minutes of discussion should be drawn up.

ii) In addition information gathered for the analysis of concerned scheme, central audit of vouchers and audit findings in previous years should be carefully studied and comments prepared for further examination in the Department.

iii) Selection of DDOs of the projects/schemes should be based on such information. Thereafter, audit of selected DDOs may be conducted.

iv) For ensuring fair representation, at least 25 percent of DDOs as well as 25 percent of average annual expenditure is to be covered in the Sample Check. If irregularities found in a DDO are of serious nature, the audit coverage should be extended upto 100 percent.

v) Review should cover at least 5 years periods.

5.3 Audit of annual Action Plan:

i) What is the mechanism of preparing and finalizing annual action plan of the project/scheme to be taken up? Whether there is any mechanism to involve all agencies concerned to plan for the activities to be under taken under the project/scheme?

ii) Whether the provision of funds keeping in view with magnitude of the problem are adequate? Whether there had been inbuilt constraints for meeting the end objectives?

- iii) Whether the achievements under the project/scheme have been co-related with those under other project/scheme having similar components?
- iv) Whether any plan for imparting training to build up capability of beneficiaries exists?
- v) Whether environment clearance is obtained from Forest Department before finalization of project?
- vi) Whether any no objection certificate was obtained from the other State Government when the catchment area of the project/scheme falls under the jurisdiction of that state?
- vii) Whether adequate provisions were made for rehabilitation of affected villagers/people due to construction of project Dams & Canals etc?
- viii) Whether the adequate compensation was given to the affected villagers/people?
- ix) Whether required land was acquired and possession of entire land was taken?

5.4 Sustainability:

- i) What was the mechanism adopted for identification/management of water resources? Whether satellite images and hydrological map/data were used? What was the reason for failed components of the project//scheme? Was it due to wrong site selection?
- ii) Was provision of fund for operation and maintenance adequate? How it was worked out? Was it on the basis of actual requirement?
- iii) How many lift points and canals etc. were lying defunct/idle due to lack of operation and maintenance?

5.5 Budgetary Aspects:

The following may be looked into:-

- i) Timely submission of budget estimates etc. by the DDOs.
- ii) Analysis and justification of proposed increases/decreases.
- iii) Whether BEs contained previous years' actuals etc. and were in conformity with various rules, procedures in this regard?
- iv) Whether any monitoring was done or not?
- v) Unspent balances, if any, to be scrutinized and suitably commented upon.

5.6 Control Aspects:

- i) Financial rules provide that the Head of the Administrative Department should exercise an effective control over expenditure. Audit may examine this aspect relating to appropriation and then seek clarification from the department. Reasons put forward by the department for savings/surrenders/excess etc. needs to be examined by audit and suitably commented.
- ii) Whether the allotments were issued in time? Whether there was a proper system of determining allotments? Whether these allotments were communicated to the A.G, the T.O and the concerned DDOs.
- iii) Whether any expenditure control mechanism existed? Whether all the monthly expenditure statements were being received from all DDOs, properly documented, tabulated and made use of for controlling the expenditure?
- iv) Cases of diversion of funds and how they were controlled centrally may be looked into.

5.7 Source of funds:

Whether the funds are to be provided out of State Plan or Central Loan Assistance (CLA) or on Sharing ratio. This aspects should be examined with terms, conditions, and guidelines communicated by the sanctioning authorities.

- i) Budget provision, funds releases, expenditure incurred (year wise), excess or savings are to be analysed.
- ii) Reasons for excess/savings may be analysed and suitably commented.
- iii) CLA/Central Shares released by the G.O.I. and subsequently released to executing authority by the State Government (year wise). Short release if any may carefully be examined and commented upon.

Financial Outlay, Release and Expenditure:

An in-department Analysis should be made on the following aspects:-

If substantial funds remained unutilised, how did it affect execution of Projects/schemes ó causing, cost overrun due to delays, and the benefits affected.

What were the reasons for funds not released.

Accumulation of unutilized funds ó position for 5-7 years may be examined to establish temporary/permanent parking in PLA/Deposits; and their subsequent utilization.

If money is kept in bank Accounts, utilization of the interest earned should also be checked.

Funds flow should be down the stream ó from the G.O.I. to State Government, to the executing agencies to establish their end diversion/misappropriation, at each level.

Rush of expenditure at the end of the year. While commenting on March rush, the items of expenditure should be clearly brought out. An analysis of when were the funds asked for and when it was released, the plans and sub-plans of executing agencies in place, etc. should also be analysed.

If advances were paid to avoid lapse of funds, to whom were they paid, for what purpose, what was the quantum of funds already available with them should be analysed.

Inflation of financial achievements, the error in financial performance reports by the State Government should be clearly brought out. Deposit in PLAs/Civil/Revenue Deposits, Banks transactions to PSU, advances, etc. booked as expenditure, inflate the financial performance artificially.

An assessment should be made if the funds are adequate for successful implementation of the projects/scheme with reference to area to be covered. Low investment/thin distribution of funds in a widely dispersed area without meeting the end objectives of the projects/schemes could be a conclusion on this aspect. For this purpose, funds released and actually required for each component should be analysed and the inadequacy commented upon.

5.8 Audit checks on Financial Management

- a) Examine the adequacy and effectiveness of the financial management and utilization of resources, budgetary expenditure and control mechanism and practices and the accounting work in the department.
- b) Examine the efficiency of the stores management and the measures adopted to safeguard the assets.
- c) Examine the possibility of existence of frauds/defalcations/serious errors etc. and the effectiveness of fraud proven procedures.

Audit steps for (a) above:-

- i) Examine the comparative position of the resources made available from the State Budget and Government of India for the scheme and utilization of the same.
- ii) Examine the cases where the funds were drawn in anticipation of requirements to avoid lapse of grant/budget and kept outside the Government accounts. Determine quantum of such amounts during 5 to 6 years and examine how these were utilized subsequently. Comment on the quality of controls exercised during such utilization.
- iii) Examine the quantum of expenditure in March during the last 5 years and compare it with the flow of expenditure during the year.
- iv) Ascertain whether there was any extra-ordinary expenditure under conspicuous nomenclature and reasons thereof.

Audit steps for (b) i.e. economy and efficiency in the system of Store Management

1. Document the prescribed procedure for purchase of stores/materials in the Department/the Chief Engineer and the delegation of power to various officers for procurement of materials/machineries etc. Examine whether the department has any separate budget provision for procurement of stores/materials/machineries and the amount of purchases made centrally (i.e. by C.E) and the amounts of purchases made at the divisional level.
2. In the case of centralized purchases ascertain whether the prescribed procedures were observed by examination of the high value purchases made in the preceeding 5 years. Examine if there was any purchase in excess and violation of rules. Examine whether estimates for purchases were made based on requirements of field units and were otherwise justified considering the programmed output of the department.
3. Examine whether the department ensures that asset registers are maintained as per rules and verification of stores and stocks are conducted as per prescribed rules

and as per prescribed time schedule by the authorised officers. Comment on the failures to assess the loss/damage of stores/stock and failure to recover the loss and fixation of responsibilities in this regard.

4. Examine whether department maintains adequate and appropriate records regarding the theft/loss/damage of stores in the CE and divisional officers level.

Audit steps for examination of Fraud/and corruption and existence of fraud prevention procedures

1. Obtain the details of cases of fraud/defalcations/serious errors detected during the preceding 5 years and examine the adequacy of action taken to prevent the recurrence of such frauds, fixation of responsibility and recovery of the amounts lost due to fraud etc.

2. Examine whether the prescribed procedure for reporting of such serious irregularities/fraudulent transactions to the competent authorities as per financial rules etc. were followed by the department in the reported cases of the fraud/defalcation etc. If not, the failure should be analysed and commented.

3. Based on accounts/records and the budgetary and expenditure control systems, audit should identify and specially scrutinize the vulnerable areas where existence of possible fraud/defalcation and serious errors could come to notice. Such area could be:-

- a) Transaction in treasury not routed through Cash Books and other Departmental records.
- b) Drawal of funds on the basis of fake/irregular allotments, multiple drawal by various divisions on the basis of same allotment.
- c) Transaction without any basis i.e. payment for fictitious supply fictitious issue of stores, drawal of pay for non-existent/irregularly appointed employees, expenditure against fictitious allotments, more than one drawal against same sanctions/allotments expenditure against

non-existent schemes/works, fictitious reporting of expenditure against on-going schemes/works.

- d) Fraud in respect of personal claims i.e. wrong fixation of pay, fraudulent drawal of arrears of pay, fraudulent TA/LTC claims, fraudulent G.P.F. Advances without verification of credits, fictitious sanction etc. etc.

4) Audit should carry out detailed additional checks wherever reasons for existence of such irregularities exists and document in details the modus operandi of fraud and assess the quantum of loss to Government due to such fraud.

5.9 Objectives and achievement:

The main objectives of a Irrigation Project/Scheme is to provide irrigable water to Culturable Command Area (CCA) i.e. the area which can be physically irrigated from a project/scheme and fit for cultivation. It should be examined to see whether:-

- i) The Designed estimated provision for Irrigation Potential and period of completion of the project/scheme, is achieved;
- ii) Potential actually created and potential actually utilized for cultivation purposes, is as targeted;
- iii) Agricultural production before and after the completion of the project/scheme as proposed in the Project proposal, is actually increasing;
- iv) Benefit Cost ratio (B.C Ratio) is as per estimate;

Audit should examine the above factors very carefully and to highlight the short comings and weaknesses in the administration, execution, planning and formulation of work programme etc. An analysis should also be made to match them to establish the relationship of what has been achieved by using what resource, compared to the expected outputs at the estimated resources as per the project

proposal. For example, if after spending say 80% of the estimated resources the physical achievement is merely 25 to 30 percent, it surely points towards serious leakage or mismanagement.

v) There is Co-ordination between potential Creation and Potential Availability for agricultural purpose.

A comparative study is to be made in respect of irrigation potential created each year as per the records of the Irrigation Department and the District Agricultural Officer of concerned District regarding availability of Irrigation Potential for agricultural purposes and comments suitably.

5.10 Audit checks for execution of scheme works:

The following aspects are to be seen while conducting a review/audit:-

Whether NIT was widely circulated in daily all India leading news papers.

Whether the rates accepted are economical and reasonable and whether the lowest rate was accepted.

Whether the execution was started in time and with the right direction and as per work programme.

Whether the works were completed as per time schedules. If not, reasons for delay are to be analysed and commented.

Cost and time overrun for delay in execution, if any.

Purchase files relating to purchase of machinery, equipments, materials etc. and comments made on any deviation from prescribed purchase procedure specially with reference to rates, quality and actual requirement.

Whether appropriate action has been taken as per clauses of the tender agreement against the contractors for delay in execution of works.

Lapses and weakness are to be brought out clearly.

5.11 (i) Operation and maintenance:

Provision of adequate infrastructure and funds for operation and maintenance of assets created is essential for sustained and regular supply of irrigable water. The following aspect may be examined and commented upon:-

Year wise funds released and expenditure on O & M.

Year wise requirement of funds for O & M as per norm.

Funds for O & M not work out on the basis of actual requirement and fund to be inadequate.

Details of Canals, Lift points, lying defunct for lack of arrangement for O&M and repairs.

Cases, where fund provided for O&M, was utilized for other purposes.

5.11 (ii) Human Resource management (HRM)

In major cases cost of establishment constitutes 90 percent or even more of the total revenue expenditure. Audit will examine whether due economy and control is ensured while incurring this cost and comment on Cases of Loss, Excess Expenditure due to failure of controls, fraud and serious irregularities in respect of HRM.

Assessment of the redundancy in manpower deployment and justification of additions to staff strength.

Staffing pattern, men in position as well as sanctioned strength and utilization of manpower. Cases of fake/irregular appointments will be analysed.

Procedure for creation of posts, numbers of posts created at various levels, transfer and rotation policy in the Department.

Examine adequacy/effectiveness of internal controls in the matter of recruitment, transfer, extension service, the correctness of fixation of pay and allowances, settlement of vigilance and disciplinary cases relating to serious irregularity and frauds etc.

Assessment of training needs, expenditure on training, utilization of trained manpower. Whether the department has any policy in this regard. If so the deviations from this policy should be commented.

5.11 (iii) Quality Control:

Quality materials and execution of works are very essential for better performance of a project. To ensure quality of work whether any testing laboratory exist in the department. In this regards the following aspects may be examined:-

Details of year wise samples checked and follow up action taken against substandard materials and works.

Whether the labs were manned by professional staff of temporary persons with no expertise resulting in low output. The aspect may be examined in detail and commented upon.

It may be seen whether an efficient quality surveillance system existed and expenditure incurred on quality monitoring facilities.

5.12 Assets Register:

Whether Register of Assets created was maintained.

Whether the Assets have been physically verified by a responsible officer of the Department and co-relate their evidence with records in the inventory of Assets created. Non-existent/sub-standard construction along with expenditure incurred may be highlighted.

5.13 Realisation of Irrigation Service Charges:

With the objective of meeting O&M charge of Irrigation Projects/Schemes, collection of Irrigation Charges from the beneficiaries at prescribed rate was introduced in 1993 (Assam). It should be examined to see

Whether Irrigation Charge is realized at the prescribed rate from the beneficiaries.

Whether Irrigation Charge realized are spent towards O&M of the scheme. Deviation if any, may be commented upon.

5.14 Community Participation in Irrigation Projects/Schemes:-

Irrigation Projects/Schemes which interalia aims at community participation in the management of its irrigation schemes/projects with a view to transfer these schemes/projects to Water Users Associations (WUAs). These Association will entrusted with the responsibility of O&M of the scheme with revenue collections from Irrigation Charges and thus the Government will be relieved of meeting recurring expenditures on O&M.

Whether any initiative was taken for community participation in the management of project/scheme and formation of WUA for transfer the scheme to the WUA for O&M. This aspect may be seen in audit and commented upon. Lack of People's participation is often cited as a main reason for failure of government

schemes/programmes. Audit should identify such schemes which failed because of lack of public awareness and incorporated in the review report/I.R.

[Para 4 of decision on Peer Group Meeting of AGs of SCS]

5.15 Monitoring of the Scheme:

- i) Assess/review the system of monitoring the implementation of scheme at (a) macro level by Government (b) and by department at Headquarter and divisional level for selected scheme. Failure in monitoring should be suitably commented with reference to escalation of cost, non-implementation of scheme.
- ii) Examine whether the department is implementing any works through outside/other department/agencies. In such cases, the monitoring system of the implementation of the scheme should be examined to assess whether there is any overlap in the scheme executed departmentally and by other agencies/departments.
- iii) Examine whether the performances/progress of expenditure of the scheme are properly recorded. If not, the resultant deficiency and weakness of the monitoring system to be commented.
- iv) Examine the procedures for evaluation of the performances and measurement of the effectiveness (result vis-à-vis the target) of the scheme. Examine whether measurable criteria were established by the Department.

5.16 Evaluation:

- i) Whether any study has been carried out by the Government/Chief Engineer in order to assess the achievement in provision of the Irrigation Scheme for cultivators and also to assess the increase in the agriculture production out of the scheme. In this connection, prevailing year wise situation may be analysed and commented.
- ii) Whether there has been study by any High level Committee to determine the efficiency of the scheme.
- iii) What is the remedial action taken from time to time by the Government/Department in relation to evaluation studies or inspection reports to streamline and strengthen the delivery mechanism and in removing the bottleneck?

Chapter VI

Audit under Section 19 (2) of CAG's (DPC) Act 1971 Audit of Brahmaputra Board

6.1 (A) Introduction:-

Section 14, 15, 19 and 20 of CAG's (DPC) Act 1971, empowers him to conduct audit of bodies or authorities and to perform such duties and exercise such powers in relation to them as prescribed under the Act. The body includes, institutions or organizations set up as autonomous organization and which are of varying character and discipline and are either non-Commercial in nature or being commercial in certain character are intended to perform certain special services of Public Utility or to execute certain programme and policies of the government. The duties and powers of the CAG with reference to audit of autonomous bodies flow from the law of the legislature. However it is desirable to persuade to the government to include in the conditions of grant, loans or investments, an enabling clause to the effect that, the books and accounts of the recipient institution shall be made available to the CAG of India, for his scrutiny or audit whenever or wherever necessary.

The objective of the audit of the accounts of bodies or authorities under the provisions of above mentioned sections of CAG's (DPC) Act, are three fold. The first is to check that the transactions comply with the relevant laws, rules and Regulations (compliance audit), the second is concerned with the certification of accounts (Financial audit) and the third is to conduct performance audit to assess the Economy, Efficiency and Effectiveness of various activities/programme undertaken by these bodies or authorities (Performance Audit). [Para 1.01 to 1.05 of Manual of Instructions for audit of Autonomous Bodies Vol-I 2007].

6.1 (B) Constitution:-

The Brahmaputra Board on being Constituted under the Act of Parliament in 1980 under the ministry of Water Resources, acts as an autonomous body of non-commercial character and performs the activities relating to Survey and investigation, preparation of master plan for control of flood, Bank erosion and improvement of drainage system, development and utilization of water resources for

irrigation, navigation, hydropower generation and other beneficial purposes, covering all the seven states of NE region. It started functioning w.e.f. January 1982 with its headquarter office at Guwahati.

There are 13 (Thirteen) divisional offices 3 (three) Circle offices within the seven N.E. States and 1 (one) liaison office at New Delhi.

6.1 (C) Organizational Set up:-

The Board comprises 21 members, representing all the seven states of the North Eastern Region, the NEC, concerned ministries, and few department of the government of India.

The Chairman Brahmaputra Board is the head of the organization and his office is constituted as follows:-

The Chairman
The Vice Chairman
General Manager, (the Chief Executive Authority
And administrative affairs.)

(2) Chief Engineers and a Secretary
17 offices of Executive Engineer, Circle
Officers and liaison officer.

6.1 (D) Scope of audit:-

While accounts of all divisional offices and transactions relating to the office of the Chairman Brahmaputra Board are auditable under "Compliance Audit", the compiled annual accounts of the Brahmaputra Board as whole are audited under Sec 19 (2) of the CAG's (DPC) Act 1971 and the audited accounts together with the report thereon are placed before the house of Parliament. A "Separate Audit Report" (SAR) is prepared on the audited annual accounts and Inspection Reports, on

inspection of the offices of each DDOs functioning under the Board are issued to all concerned as per norms and requirements.

6.2 Audit Procedure:-

Inspection of filed offices, functioning under the administrative and financial Control of the Board are required to be audited as per instructions contain in Chapter II, III, IV and V of this manual.

The following are the procedures to be observed, while conducting audit of annual accounts of the Brahmaputra Board under Sec. 19 (2) of the CAG's (DPC) Act 1971.

6.2 (A) Audit Planning:-

No audit should be taken up before the competent authority of the autonomous body/governing body approves the accounts. The matter of approval of accounts by the governing body/competent authority shall be examined with reference to Act, Rules/By-laws applicable to the Board. If under any circumstances, the audit had to be taken up prior to receipt of approved accounts, it must be ensured that there is no change in the accounts audited and those approved subsequently. In cases where accounts are revised during/after audit, the revised accounts should again be approved by the authority which had earlier approved the annual accounts. [Para 6.05-6.07 of Manual of instruction of AB 2007]

6.2 (B) Format of Accounts:-

Autonomous bodies under government of India are required to compile their accounts in a uniform format of accounts as prescribed by the government of India, Ministry of Finance, as given in Vol-II of the manual of instructions for audit of Autonomous Bodies.

Non Compilation of annual accounts in the Uniform format should be commented upon in the SAR. [Rule 7.01-7.02 of Manual of Instruction of AB]

6.2 (C) Components of accounts:-

The annual accounts should consists of the following statements prepared in the manner as provided in the Uniform Format of accounts:-

- (i) Balance sheet
- (ii) Income and Expenditure Accounts
- (iii) Schedules to the above statements
- (iv) Disclosure of significant Accounting Policies
- (v) Disclosure through "Notes to Accounts"
- (vi) Statement of Receipt and Payments

6.3 Audit checks on annual accounts:-

The points to be looked into at the time of audit of accounts of autonomous bodies in general are detailed in Appendix 8.6 under Para 8.39 of the "Manual of Instructions for audit of Autonomous Bodies 2007."

However some points to be looked into while auditing the annual accounts of autonomous bodies like Brahmaputra Board are given below:-

6.3 (A) Balance sheet

1. Note that, corresponding figures of last year's accounts are given in the balance sheet. It should be seen that balances have been correctly brought to the books of account.
2. It should be examined in audit that, assurances given against observations made by last audit was carried out by the entity.

3. The following certificates should be obtained in support of entries of balance sheets.
 - (a) Number of Bank Accounts with reconciliation statement.
 - (b) Certificates of Financial assistance/grants received.
 - (c) Cash in hand.
 - (d) Certificates of investment held by bankers/other authorities.
 - (e) Balance of inventories at year end.
 - (f) Works in Progress.
 - (g) Liabilities at the year end.
- (4) Examine whether balances are tallied with the ledgers/journal and are maintained for each item of the balance sheets.

Examine the ledger position from the following records.

- (a) Cash books.
- (b) Bank Book.
- (c) Purchase Register.
- (d) Issue Registers.
- (e) Debit notes.
- (f) Credit notes etc etc.

(i) Checking of cash and Bank balances:-

- (a) Balances of cash and at Bank should be examined.
- (b) If an unusually large cash balance is noticed during the year, then proper explanation should be obtained from the entity organization and commented accordingly in the report.
- (c) Bank statement should be verified with payment and Receipts schedules.

(ii) Debtors:-

Debtors ledgers should be examined to see that

- (a) Necessary legal action has been taken on non-payers by the management.
- (b) Whether necessary confirmation from the debtors have been called for, and there is no discrepancy on the balances between the debtors acknowledgement and the management.

(iii) Loans & Advances:-

- (a) Check whether loans and advances made by the entity are properly secured. It should be examined that the loans and advance does not exceed the value of security.
- (b) Whether loans and advances are made under proper authority and within the authorized limit.

(iv) Stores and stock:-

- (a) Check and ensure that physical verification has been made and necessary action has been taken against discrepancy noticed.
- (b) Check Receipts and issues records, to examine the accuracy of quantity and value Account.
- (c) Check the provisions made for obsolete and damaged items of stores.

6.3 (B) Income and Expenditure Account

(i) Interest received from Bank:-

- (a) Verify the entries in this regards as per bank statements, or advice received from Banks.
- (b) In respect of fixed deposits ensure that they are accounted for on accrual basis as the interest is paid by bank only after the expiry of the term of fixed deposits.
- (c) Check that interest from other borrowers are accounted for in terms of the conditions of agreements.
- (d) Check that the interest is correctly credited to the interest account and corresponding debit to cash/bank account.

(ii) Expenditure on salary & wages:-

- (a) Check salary and wage payments as per sanctioned strength and MIP.
- (b) Check whether deduction on account of PF, ESIC, I.T. and other such items, are duly and regularly made.
- (c) Obtain a list of MIP on the date of balance sheet and also the list of employees who have retired or otherwise left the services during the period of account under audit.

(iii) Purchases:-

- (a) Check whether the purchases made are duly authorized by the Competent authority.
- (b) Check the cash memos/receipted bill.
- (c) Check that adjustment has been made against advances made for the purchases if any.
- (d) Check that necessary entries has been made in relevant stock registers.

(iv) Repairs and Maintenance:-

Scrutinise the repair and maintenance account to ascertain that new fixed assets and cost on substantial improvement to existing assets have not been included in repair and maintenance accounts.

(iv) Depreciation:-

- (a) Examine the rates, and calculation of depreciation on assets.
- (b) Quantum of depreciation for current year should be compared with that of previous years to examine the reasons for variation.
- (c) In case of revaluation of assets the excess/shortfall made in depreciation account should be adjusted accordingly.

6.3 (C) Receipt and Payments Accounts:-

- (i) Opening balance:- Verify the O.B. from the CB of the cash book of previous year.
- (ii) All other items of receipts and Payments should be examined and verified with the books and accounts of the entity. Special attention should be drawn while checking items like purchase of Fixed assets, investment, Cash Purchases, Payments for works in progress/completed etc.

6.4 Reporting Standards

The auditor should prepare the report (SAR) setting out the findings and conclusion in an appropriate form as prescribed under Manual of Instruction for audit of A.B. The contents of SAR should be easy to understand and free from ambiguity; and should include only information which is relevant and supported by sufficient and competent audit evidence. It should be independent, fair, complete, accurate, constructive and concise as the subject matter permits.

Reporting also includes a written expression of the auditor's opinion on the financial statements as a result of audit tests and procedures and the evidence collected in the process. The following points should be kept in view in regard to reporting:

- **Objective and unbiased:** There is a need for objectivity and impartiality in all work conducted by auditors, particularly in their reports, which should be accurate and objective. Conclusions in opinions and reports should, therefore, be based exclusively on evidence obtained and assembled in accordance with the CAG's auditing standards.
- **Complete Report:** It should be ensured that the report contains all pertinent information needed to satisfy the audit objectives and to promote an adequate and correct understanding of the matter reported.
- **Supporting documents:** The report should include only information, findings and conclusion that are supported by

competent and relevant evidence in the auditor's working papers.

- **Materiality and significance:** The term materiality refers to the relative importance of an item. An item or event is considered to be material if it is likely to be relevant to the user of financial statements. [Para 9.13, 9.14 of Manual of Instructions for audit of Autonomous Bodies]

6.4 (A) Drafting of SAR

It should be ensured that an independent SAR/audit certificate on the annual accounts of each accounting period is prepared and issued without delay.

To improve and bring about uniformity in drafting the SAR, contents of the Style guide 2nd Edition issued by CAG may be referred to.

The SAR of Autonomous Bodies should contain the following:-

- (i) Introduction
- (ii) Comments on accounts and
- (iii) Impact of comments on accounts

The contents of the SAR may be classified into two categories.

- (i) Statement of Facts
- (ii) Opinion

The statement of facts includes whether the entity's balance sheet, income and expenditure account, Receipt and Payment account are properly drawn up and in agreement with the books of account and returns. The audit opinion should be incorporated under 'Comments on Accounts' in the S.A.R.

6.4 (B) Contents of SAR

The SAR should contain only "Comments on accounts" of the following nature.

- (a) Non-compliance of accounting standards of Common Format of Accounts.
- (b) Correction/rectification/revision are carried out only at the instance of audit.
- (c) Cases where assurances for rectification are not fulfilled after years.
- (d) deficiencies in system of Financial Control and maintenance of financial records.

Comments in SAR should be arranged in order of:-

- (i) On Balance sheet
- (ii) On Income and Expenditure Account
- (iii) On Receipt and Payment account
- (iv) On Accounts Policies.
- (v) On "Notes on Accounts"

If the reply to draft SAR was not received within the stipulated period the matter should be reported in the SAR.

Chapter-VII

Audit Quality Management Framework

Extracted From

Chapter 13 of C & AG's manual of instructions for Audit of Autonomous Bodies

Vol-I, July 2007

7.1 Introduction:

The process of managing audit quality is a means of ensuring that audit is planned efficiently, executed effectively, and that the audit product meets the benchmark of the department and the needs of clients and stake holders. This guide attempts to list out, in a generic manner, steps to be taken at different stages of the audit process so as to ensure quality in audit. Building these aspects into the audit cycle at all stages and all levels would enable us to move from an emphasis on quality control of an individual audit product to one of continuous quality assurance. The broad objectives of quality assurance are to ensure that:

- É controls are in place at all stages of the audit cycle including planning, execution, reporting and follow up;
- É controls are properly implemented; and
- É in built mechanism to constantly review and update the controls exists.

While the framework brings out various measures required to ensure quality control and assurance in audit, this has to be read with and supplemented by the auditing standards, existing audit manuals, guidelines and instructions to have a complete and exhaustive description of auditing principles, processes and practices followed in different streams of audit across the Department. Respective wings/streams of audit like civil, defence, revenue, commercial, railways, scientific, etc. may formulate internal instructions in accordance with the principles outlined in the framework and consistent with auditing standards, existing audit manuals, guidelines, etc. Being an evolving document, the framework lends itself to continuous

upgradation in line with the technological changes and development of new methodologies and practices.

–Audit quality management framework governing the SAI should generally consist of the five major elements of –leadership and direction, –human resources management, –audit management, –client and stakeholder relations and –continuous improvement. In public audit, quality management involves a system composed of the audit organization, the auditors and the audit process all working together to produce outputs that fulfil the requirements of its stakeholders and the general public. Continuous improvement in the quality of audit by focusing on the needs of clients and stakeholders is the underlying principle behind the audit quality management system or framework. It is essential that SAI should have quality management policies & procedures in place and should ensure that these policies and procedures are subject to a review mechanism.

The present framework attempts to concentrate largely on measures and procedures carried out within the audit process that would provide a reasonable assurance about the quality of audit work and the results of audit. It covers all audit products and results of audit from audit note, inspection reports and management letters to audit reports sent to the government and finally presented to legislature. The framework or the basic structure also includes quality practices and measures to be followed in all audits conducted by the Department: financial audit, compliance audit and performance audit. The framework would apply to all streams/branches of audit in the Department ó civil, commercial, defence, revenue, railways, scientific, posts and telecommunications, local bodies, etc.

The framework is divided into two broad sections: I-Audit Planning, Execution, Reporting and Follow-up and II-Continuous Improvement through Technical inspection, Peer Review and Lessons learnt Process.

Audit Planning, Execution, Reporting and Follow-up

7.2 (1) Audit Planning

Audit planning, is expected to be strategic in that it fits into the long term and short term goals of audit. These goals would need to be identified and framed in consonance with the overall **ōVision and Mission statementö** of the Department, and be in line with the specific targets and goals of individual wings/offices. Within the strategic plan for audit an annual operation plan for all audits to be conducted in a financial year is drawn up in the field offices. The annual audit planning broadly comprises of risk assessment, selection of units, assignment planning, etc. The quality measures, procedures and practices set out below are related to operational plan for all audits and planning for individual audit assignments.

(i) Electronic database of auditee profiles: This is the foundation of audit planning. It is, therefore, important to maintain comprehensive and current information on all entities to be audited so as to target the right units. This database/knowledge repository which should be maintained electronically is to be utilized in a scientific manner by applying tools such as risk assessment techniques to enable an objective and unbiased selection of auditee units. Information available from the VLC database should be used for audit planning as also data from various e-governance initiative undertaken by entities.

(ii) Materiality and risk assessment: The audit plan should be based on a clear assessment of risk, materiality and priority. The overall significance of the auditee based on factors such as financial size or the effect of its performance on the public at large or issues of national importance would be a major factor in prioritizing the audits. These could include previous audit experience, visibility of the subject, auditability of the unit and expected audit impact.

(iii) Audit objectives, scope and methodology: Once the selection of auditee unit has been made, specific audit objectives should be drawn up which would govern the manner in which the audit is to be carried out. These could include reporting compliance with rules and procedures, forming an opinion on the financial statements, and assessing the performance of the auditee and its programmes.

The audit objectives along with the risk profile of the auditee, the level of assurance required and available audit personnel would help determine the scope of audit, sample size and the composition of the audit team. Quality at the stage of audit planning can be enhanced by regular interactions between top management and other team members/officers involved in the audit process to ensure that all critical areas have been adequately addressed. Audit methodology should be designed in such a fashion as to provide sufficient, competent and relevant evidence to achieve the objectives of the audit.

(iv) Focus on criteria: Audit criteria and evidence required to be gathered are to be decided upon following the audit objectives, and in accordance with the broad parameters laid down at the stage of audit planning. Audit criteria can be broadly defined as a benchmark or a standard to assess the work of the auditee on financial statements, compliance and performance related issues. The audit criteria can be prepared in several forms by establishing certain broad parameters or as a checklist or a set of questions for examination.

(v) Identification of key risk areas and statistical sampling techniques: Key risk areas should be identified for focused attention during the audit and scientifically designed sampling techniques used for determination of sample size.

(vi) Scheduling of audit: Allocation of time for the audit of each unit is dependent on the audit scope, manpower availability and other relevant departmental instructions contained in Manuals/guidelines, etc. The actual scheduling of audit should be subjected to the mutual convenience of both auditor and auditee.

(vii) Training and capacity building: Training of staff should be taken up regularly so as to continuously upgrade skills and keep pace with changes in audit methodologies, techniques and tools. Training activities could include in-house training programmes, seminars and workshops as well as on the job training, training at RTIs and for senior officers as NAAA/ICISA. The programmes should be standardized and structured to ensure uniformity and quality, and overall effectiveness of training assessed periodically. It should be ensured that officers trained in a specific

area are retained in related audit for a reasonable period. Training Standards of the department should be followed for undertaking training activities. Training Needs Analysis would help in identifying gaps in knowledge, skills and ability for more focused and purposive training programmes for staff.

(viii) Staffing for the audit – skill & knowledge of audit personnel: Domain knowledge of the audit subject is a critical element of the audit quality management framework and the skills and experience of the staff deployed on the audit are expected to be commensurate with the requirements of the task. Offices should maintain an inventory of skills of its audit personnel which would enable them to match the task with required skills. Gap analysis to determine whether all skills required for carrying out the audit are available in-house or can be built up by courses/training programmes in Regional Training Institutes or at higher management levels should be carried out. This essential to decide on the need for appropriate experts/consultants to advise on key aspects of the audit e.g. selection of sample, issues for examination, audit methodology etc. In the event of deciding to hire experts/consultants, any existing orders or guidelines of the Department should be referred to.

(ix) Assignment of personnel: There should be reasonable rotation of assignments of personnel so as to maintain objectivity and independence. It needs to be ensured that audit is carried out in an impartial and fair manner without favour or prejudice.

(x) Parameters for distribution of work: Specific parameters for distribution of work amongst the members of audit parties in respect of different streams of audit like civil, Commercial, Defence and Revenue, etc needs to be laid down, if not already prescribed, and should be continuously reviewed so that each member of an audit team has to do some original work irrespective of his position in the hierarchy.

(xi) Standard formats & checklists: Standard formats and checklists should be developed and used to ensure uniformity and focus in the audit approach. These could include:

- a) Preliminary list of documents to be seen;
- b) Suggested issues for examination;
- c) Checks to be exercised at different levels; and
- d) Format for reporting results.

(xii) Provision for supervision and review of audit: Adequate levels of supervision, monitoring and review at different levels, and as prescribed under different standards and guidelines of this department need to be provided in the audit plan so as to ensure that audit objectives are achieved. While supervision involves directing audit staff and monitoring their work during the audit to ensure that the audit objectives are met, review brings more than one more level of experience and judgment to the audit task and generally ensures involvement of higher levels of management with the audit process, including providing an assurance that the work has been carried out as per the standards and guidelines.

The audit plan should be reviewed and approved by the competent authority, with deviations from the approved plan during execution requiring written documentation and approvals. Before approving the audit plan, an exercise may also be conducted to ascertain the areas where inputs from other wings of audit would be required. Suitable mechanism may be evolved to obtain the requisite information from other wings on a timely and regular basis. This may also be reviewed on periodical basis. Existing departmental standards/manuals/guidelines/instructions issued in respect of audit planning need to be kept in mind and complied with. While reviewing and approving the audit plan it should be seen whether the planning process was

- É Based on sound judgment;
- É comprehensive;
- É provided for suitably
- É timely; and
- É appropriately documented.

7.2 (2) Audit Execution

The audit execution process broadly includes the following:

- É entry conference;
- É determination of the audit approach;
- É developing and executing audit tests through evidence gathering, evaluating evidence, developing audit opinions;
- É developing findings and ensuring that replies/responses from the management are received;
- É developing recommendations, and
- É exit conference.

(i) The audit process begins with a restatement of our understanding of the entity. This requires domain knowledge of the entity, the control framework within which the entity operates, and the external environment. The focus of audit would be on the key risk areas and audit objectives already identified so as to be able to provide higher levels of audit assurance on the functioning of the entity. This may also be explained to the head of the auditee unit at the time of entry conference and his/her input obtained. However, the audit team would continue to have the flexibility to examine other risk areas that emerge during the audit, with proper documentation and approvals.

(ii) **Audit test programmes:** Testing of the audit objectives is the task of carrying out a series of procedures and/or activities with reference to the audit criteria already developed, and obtaining relevant and reliable evidence in respect of these procedures/activities during the course of audit. The audit tests are the key link between the audit objectives and criteria and the conduct of an audit leading to credible and objective findings.

Instructions, detailed checklists and formats as contained in the Manuals/guidelines, etc. of the Department or as prepared at the stage of audit planning are to be referred to while framing the audit test programme. Selection of

the sample to be tested should be done in a transparent manner, and where possible, with the help of appropriate sampling techniques. The sample drawn should be commensurate with the assurance levels required in the audit. Adequate documentation is required for the method of selection of the sample (e.g. random, judgmental etc.), its size and the audit criteria/objective with which the sample is linked.

(iii) Developing audit findings: Audit findings/observations are based on the analysis of information or evidence drawn from the sample for audit, with computer assisted audit techniques and tools (CAATTS) applied wherever possible. Audit evidence should be valid, appropriate, reliable, sufficient, accurate and complete so as to be able to frame audit opinions and draw effective conclusions. The opinion and assessment of the auditor is to be based solely on the analysis of facts. Audit findings and conclusions should be an accurate reflection of actual conditions of the matter being examined.

(iv) Documentation and maintenance of working papers: Complete and detailed working papers must be maintained in respect of the audit, appropriately cross referenced and supported by evidence. The working papers should be accurate, clear and relevant and should bring out the inputs made by the different members of the audit team including supervision and review, as determined in the audit plan. The working papers should also include information relating to monitoring/review of the work of a consultant/expert, if any, as outlined in departmental orders or guidelines.

(v) Supervision of audit: Supervision could involve assigning of responsibilities providing guidance, reviewing the work, staying informed about and addressing significant problems, and obtaining periodic feedback. There should be frequent communication with staff so that they all understand their roles and tasks within the overall aim and context of the task assigned. Critical points in the audit programme should be identified to ensure that audit aims are met.

(vi) Monitoring & review of audit operations: Regular monitoring of the work at suitably senior levels would enable anticipation of problems and early intervention with appropriate action and solutions. Improved electronic and online monitoring of

the progress of audit and providing guidance and clarification to field parties would substantially improve the quality of audit product. A comprehensive and timely review would also ensure that all conclusions are based on and supported by reliable and sufficient evidence.

(vii) Exit conference: Before the audit is completed, management/auditee responses to the audit findings and observations should be obtained. All connected key documents may also be obtained, especially in respect of important observations which are likely to feature in the audit report. The report should also be discussed in detail with the head of the auditee before concluding the audit programme.

7.2 (3) Audit Reporting and Follow up:

The audit product includes all reports/appraisals/comments/opinions/findings that emerge from the audit process and its follow up. All findings should be evaluated in the context of the audit evidence seen, and the response of the auditee.

Observations and conclusions are expected to be logical and based on valid audit evidence. The audit report should comment specifically on the audit objectives, scope and methodology and the results of the audit which include finding, conclusion and recommendations. Audit recommendations should be framed in the manner suggested in separate guidelines issued by the Department. The reporting should be in accordance with the Reporting Standards of the Department.

(i) Reporting for financial and compliance audits: For financial or certification audit, the auditor's opinion on a set of financial statements is generally in a concise, standardized format in accordance with standards/orders/guidelines of the department. Opinions should be appended to and published with the financial statements to which they relate. For compliance audits which are primarily concerned with compliance with laws, regulations and procedures and with probity and propriety of decisions, the reporting and communicating the audit results should be in accordance with the policies, guidelines and instructions of the Department.

(ii) Reporting for performance audit: Performance audit is wide-ranging in nature and is more open to judgment and interpretation. For performance audits, the report should be on the economy and efficiency with which resources are used, and the effectiveness with which objectives are achieved. The reporting structure will have to be in accordance with the Performance Auditing Guidelines of the department.

(iii) Characteristics of a good audit report: The audit report should be complete, accurate, objective, convincing, clear and concise. It should contain the audit objectives, scope and methodology and the results of audit which include findings and conclusions, and recommendations wherever applicable. Special attention is to be given while framing audit comments relating to fraud and corruption, as laid out in departmental instructions on the matter.

(iv) Review of audit findings before finalization of reports: All audit findings should be reviewed at a suitably senior level before audit opinions or reports are finalized. The nature and extent of the review would depend on several factors such as the significance of the work, the risk perception of the auditee, and experience levels of the audit personnel. Review can be done on a concurrent basis when the audit work is going on, at the stage of preparation of audit observations, finalization of inspection reports, drafting of audit reports and applying quality checks prior to final approval of the audit report. Similarly, a checklist may be prepared in the headquarters sections of the field offices to review the Inspection Reports (IRs).

The performance of the audit team may be reviewed at the time of finalization of the IR on the basis of predetermined parameters and placed before the senior management for appropriation action. The results of the review need to be documented in a transparent manner, to be used as feedback into the audit cycle.

Review would include check of the presentation and format, and the technical quality and content of the product. It should ensure that all findings and conclusions are based on and supported by competent, relevant and reasonable evidence. All assertions of audit are to be fully supported by the data gathered during the audit. The documentation of key evidence and its interpretation in audit should clearly establish

the manner in which audit conclusions were reached. The review checks whether the audit product is timely, comprehensive, and appropriately documented. Timeliness of the audit result may involve both the meeting of statutory deadlines and the delivering of the audit results when they were needed for a policy decision or to correct systemic weaknesses.

The response of the auditee should also be adequately reflected, and any divergence of opinion should be dealt with clearly. The review is expected to assess the level and quality of the prescribed supervision of the audit, and provide an assurance that the work has been carried out according to standards and guidelines of the department.

(v) Developing audit recommendations: All performance audits should conclude with well thought-out recommendations. For developing recommendations, audit should identify the underlying causes (s) of a finding, as this forms the basis for the recommendations. A quality recommendations is one that is:

- É Action-oriented, properly-directed, specific, convincing, significant, positive in tone and content;
- É Dealing with underlying causes and should correct the basic cause of the deficiency;
- É Feasible-and is workable; and
- É Cost-effective or the benefit to be derived from implementation of the recommendation outweighs the cost of its implementation

(vi) Inventory of recommendations: A database of audit recommendations should be maintained electronically with appropriate grading for effective monitoring and follow-up of audit recommendations. The database also needs to be updated periodically.

(vii) Follow-up: Follow-up of the audit output improves the quality and effectiveness of audit by assessing the response of clients and stakeholders to the work performed by audit in terms of results and impact. There should be an assessment of action taken by the auditee in response to audit findings.

(viii) Liaison with clients and stakeholders: Follow up includes interaction with the auditee units and in case of audit reports presented to the legislature with legislative committees to ensure adequate attention and prioritization of important audit findings. This would also help in identifying areas of public significance for future audit. Other stakeholders such as government functionaries, NGOs, and citizens groups should also be engaged in the audit process so as to increase the relevance and usefulness of the audit products. Public awareness of important audit outputs through the use of the media in accordance with the media policy of the department is also important.

7.3 Continuous improvement through Technical Inspections, Internal Audit, Peer review and Lessons Learnt Process.

(i) Post-audit technical inspections, internal audit and peer review are other mechanisms of self-assessment as to whether quality procedures are functioning effectively, and of identification of steps needed to further improve the quality of audit.

(ii) Lessons learnt process: A system of self-evaluation whereby audit teams may review audit practices through post-audit discussions is an important quality assurance process. The purpose of establishing continuous lessons learnt process is to help ensure consistent quality in audits and improve the department's processes on a continuing basis. Regular internal discussions would help in taking stock of the audit on several parameters such as;

- É Understanding what worked well
- É Whether the resources assigned to the audit were reasonable
- É Whether findings/conclusions/recommendations got an appropriate response
- É Reasons for less successful audits
- É Scope for improvement, and
- É How these can be achieved.

(iii) The key messages arising from the lessons learnt should be communicated widely through training, seminars, workshops and guidance.

The measures set out above are intended to improve the quality in the audit process. However, these procedures should not curb the initiative and good judgment of the auditor in adapting to particular circumstances. The judgment depends upon the audit task in hand, problems faced during the audit and the auditor's competence, skill, expertise and professional qualifications, etc.

The framework described above incorporated measures and practices which when followed would provide a reasonable assurance that audits are conducted in a manner as to ensure high quality and meet stakeholders' expectations. The premises set out here are generally drawn from the ASOSAI guidelines on audit quality management systems (AQMS).

Chapter-VIII

Other Topics of interest

Right to information Act 2005-Audit Matters

8.1 Introduction:

According to Article-151 (1) & (2) of the Constitution of India, the Reports of the Comptroller and Auditor General of India relating to the accounts of the Union or States shall be submitted to the President or the Governor (s) who shall cause them to be laid before each House of Parliament or State Legislatures. Under Section-8 (1) (a), there is no obligation to disclose information that would cause breach of Privilege of Parliament or the State Legislature (s).

The Audit Report goes through various processes before the finalization. The intent and provision of the Right to Information Act 2005 to report any matter to Parliament/State Legislature (s) is established for the first time only when "Draft Audit Paras/Draft Reviews" is sent to the Government (Auditee Entity) for confirmation of facts and figures and for comments. Accordingly, privilege may be claimed only in respect of "Draft Audit Paras/Draft Reviews" and "Bond Copies" of Audit Reports sent for signature of the C&A.G.

8.2 Records/information that may be disclosed:

Once the Audit Report is laid on the table of the Parliament/State Legislature (s), it would come within the public domain and having regard to the intent and provision of the Act, all documents/information contained in the Inspection Report and other like documents issued to the auditee may be disclosed.

In case of request for letters and other communications issued by the auditee entity, action may be taken in terms of Section-6 (3) of the Act to transfer the request to the concerned public authority under intimation to the petitioner within the time limit prescribed under the Act. This will relate to all letters and communication issued by the auditee entity and mentioned in the Inspection Reports and Audit Reports already placed before Parliament/State Legislature (s).

(Exceptions: Audit memos, Half Margins and other working papers that relate to inspection Reports and Audit Reports are internal in nature and may not be disclosed).

8.3 Obligation:

The obligation under the Act is to disclose only the information available and it is not necessary to generate information for disclosure. As a General Rule, internal notings should not be disclosed.

Cost and fees to be realized:

The request for obtaining information under sub-section (1) of section-6, of the Act shall be accompanied by an application fee of rupees ten by way of cash against proper receipt or by demand draft or banker's cheque payable to the Accounts Officer of the Public Authority.

For providing the information under sub-section (1) of Section-7, the fee shall be charged by way of cash against proper receipt or by demand draft or banker's cheque rupees two for each page (A-4 or A-3 size) created or copied, actual charge or cost price of a copy in larger size paper, actual cost or price for samples or models; and

for inspection of records, no fee for the first hour, and a fee of rupees five for each subsequent hour (or fraction thereof).

8.4 Rates and realization of fees

For providing the information under sub-section (5) of Section-7, the fees shall be charged by way of cash against proper receipt or by demand draft or banker's cheque payable to the Accounts Officer of the Public Authority at the following rates:

- (a) For information provided in diskette or floppy, rupees fifty per diskette or floppy; and

(b) For information provided in printed form at the price fixed for such publication or rupees two per page of photocopy for extracts from the publication.

8.5 Duties and responsibilities:

17.16 The Head Quarters Office instructed that the forwarding letter enclosing Inspection Reports, SAR, Report of Certification on Accounts, copies of approved paragraphs already laid on the table of Parliament, Legislature etc. supplied to an applicant under the right to Information Act 2005 shall contain the following disclaimer statement

ōThe report has been prepared on the basis of information furnished and made available by the -----(Name of the Auditee entity). The Office of the Pr. Accountant General/Accountant General (Name) disclaimers any responsibility for any mis-information and/or non-information on the part of the auditee.

[Authority: HQ's letter no. [LC-III-2005 dt.06-10-2005] No. 629 LC/111-2005 dtd.07-10-2005]

8.6 Dealing of fraud and corruption on INTOSAI and ASOSAI Pattern

As per ASOSAI Guidelines (October 2003) for dealing with fraud and corruption, followings material highrisk areas may be identified during Audit Planning so that suitable modified audit procedure and techniques can be adopted:

- Contracts of Service/Procurement.
- Inventory Management.
- Sanctions/Clearances.
- Programme management.
- Revenue Receipt.
- Cash management.
- General Expenditure and
- Other areas with Public interface.

Contract for procurement of goods and services is a major activity in the Government sector and it is traditionally prone to fraud and corruption. An illustrative list of the forms of fraud and corruption given in **Annexure 8 (i)** can take in the area of contracts to enhance the Auditors Understanding.

The audit of contracts in most Audit Institutions, therefore, become an area of focus for the Auditor who has to be particularly sensitive to possibility of fraud in this area for which warning signs are listed in **Annexure 8 (ii)**. For this component, relevant and reasonable audit evidences of fraud should be collected to support the auditors judgment and conclusions regarding the organization, programme, activity or functions under audit. Some of the sources of evidence and factors that may be considered in searching for evidence are given in **Annexure 8 (iii)**.

ANNEXURE-8 (i)
(Referred to in Para 2.23)

Types of Fraud and Corruption in Contracts

The following types of fraud and corruption have been reported in contracting for goods and services:

- *Bribery and Kickbacks* ó Money or any other form of reward of favour is exchanged between a public functionary and a provider of goods and services in order to obtain some benefit e.g. acceptance of substandard goods or obtaining unauthorized information.

- *Changes in Original Contracts* ó Changes are made in the original contract requiring flow of additional funds from the government to the contractor, which may affect the basis on which the contract was awarded to the contractor in the first instance. This may also involve front-loading of contract in the hope of increasing the price of the original contract through change orders or subsequent modifications to the contract.

- *Duplicate payments* ó The contractor claims and receives payment for the same service or work done or goods supplied under the same or different contracts.

- *Collusive or Cartel Bidding* ó Contractors form cartels to fix artificially high prices for goods and services supplied by them.

- *Conflict of Interest* ó Contracts are awarded on the basis of vested interests of the decision makers.

- *Defective Pricing* ó The contractor submits inflated invoices.

- *False Invoices* ó The contractor submits invoices for goods that have not been delivered or do not properly represent the quantity or quality of goods and services supplied or work done as per contracted specifications.

- *False Representations* ó The contractor falsifies the goods specifications or his ability to provide certain services.
- *Splitting of Purchases* ó The purchases of goods and services are split either to avoid open competition or having to seek the approval of higher authority.
- *Phantom Contractor* ó Purchase are made from a fake supplier or contractor.
- *Pilferage of Public Assets* ó Public funds are used to acquire goods for personal use or public assets pilfered by officials.
- *Tailored Specifications* ó Specifications and time limits are manipulated to favour a certain contractor supplier.

ANNEXURE-8 (ii)
(Referred to in Para 2.23)

Warning Signs of Possible Fraud and Corruption in Contracts

Procurement and contracting of goods and services present different opportunities for fraud and corruption at different stages of the procurement and contracting processes. The auditor would be well advised to look out for warning signs corresponding to each stage. These warning signs indicate the increased risk factor in contracts and serve as red flags for the auditor.

➤ ***Requirements defining stage***

- Inadequate needs analysis.
- Inadequate information about potential suppliers.
- Inadequate review of existing and required inventory.
- Unduly short supply period.
- Needs analysis is product rather than needs oriented.
- Someone other than the user defines the user requirements.
- Unwarranted involvement of senior officials.

➤ ***Bidding and selection stage***

- The specifications are not clearly defined.
- A very limited number of offers is received.
- Documentation indicates unusual involvement of an official.
- Suspicion about conflict of interest.
- Evidence of early receipt of information by some contractors.
- Request for proposal is not properly advertised.
- Unusual handling of the bidding process.
- Evaluation criteria is not consistent for different officers.
- Exceptions to the tender deadlines.
- Changes in the bids made after their formal receipt.
- Lowest responsive bidder is not selected.

- Contractor submits unrealistic bid indicating collusion or bid rotation.
- Unusual withdrawal of bids.
- Re-bid results identical to original bids.
- Successful contractors use competitors as sub-contractors.
- Justification for single source procurement is inadequate.

➤ ***Contract performance and evaluation stage***

- Changes in a contract result in the large increase in the cost of goods and services.
- Changes made without adequate explanation.
- Unwarranted contract extension.
- Complete about the quality of goods and services received.
- Inadequate inspections and quality assurance of goods and service received.
- Evidence of over charging and duplicate billings.
- Dubious invoices.
- Insufficient pre-audit of contractor payments.
- Contracts repeatedly awarded to one contractor.
- Unduly high labour payments.

ANNEXURE-8 (iii)
(Referred to in Para 2.23)

Audit Evidence

In searching for the evidence of fraud and corruption the auditor must:

- Always search for the strongest possible evidence.
- Investigate without delay, as evidence can be destroyed, lost or forgotten.
- Not ignore small clues or leads.
- Look for facts that confirm or refute suspicions.
- Concentrate on the weakest point in the fraud and corruption.
- Identify and summarize the evidence indicating that fraud and corruption may have been committed.
- Identify the possible scenario of fraud and or corruption.
- Summarize and explain the accounting and control systems involved, the paper trail involved in the transactions, and the deviations from the systems.
- Explain patterns used in covering up the fraud and corruption.
- Identify the possible extent of the fraud and corruption.
- Consider the possibility of collusion.

Sources of Evidence

Documents from the auditee: During the course of examination of books of accounts, auditors investigate various documents that serve as evidence for the audit. These documents may be original or photocopies depending upon their importance.

Report of Internal Auditor: The internal auditor may have identified instances of deviation from normal procedure.

Interviews: Auditors can obtain important information from various government employees. Since they may have noticed internal control failure made by managers and fraudulent activities perpetrated by other employees, interviews may be useful in detecting material misstatements caused by fraud and corruption.

Inspection/Observations: Auditors can notice possibility of fraud and corruption through the examination or inspection/observations/physical verification reports (e.g. forged document, inventory not in existence or inferior quality). Where any auditor relies on physical observation for an audit conclusion this would need to be supported with properly documented evidence.

Questionnaires: Auditors may gather important and helpful information by using questionnaires.

Confirmation with other related parties: Auditors sometimes obtain information directly from other related parties (e.g. bank balance confirmation from the bank, Debtors balance confirmation from individual debtors etc.). If the figures provided by these agencies do not tally with the books of account, they should check detail to find out the reason for discrepancy.

Results of Analytical Review: Auditors analyze both financial and non-financial information, which can indicate abnormal trends. In that case, auditors need to concentrate on particular heads.

Expert Opinion: Auditors may seek expert opinion about a suspicious case. The expert's opinion becomes evidence if auditors can rely on that opinion in assessing fraud and corruption.

[Authority:- C&AG's No 126/Audit (AP) 1-2004 Dt.06-09-2006]

A format of Memorandum/Certificate of assurance regarding fraud and corruption was devised for obtaining particulars/information from all field audit parties as per Annexure given. Consolidated position on this account is required to furnish to HQr office half yearly ended on March and September.

[Authority:- No Cordn (Au)/2-12/2009-10/675-81 dt.09-12-09]

Summoning of records for evidence and IA&AD officials for obtaining statements from the offices of the IA&AD by the police/vigilance authorities in connection with the investigation of various offences committed in auditee organization.

8.7 Documents in the possession of audit office, requisitioned by Police or other investigating agencies.

As empowered under section 91 (i) and section 160 (i) of the Criminal Procedure code 1973 (Cr.P.C) various Police/vigilance authorities use to make requisition for records as evidence and summoned officials as witness from the IA&AD in connection with investigation of various offences in auditee organizations.

The IA&AD has always considered it necessary to extend all possible Co-operation to the investigating agencies in dealing with cases of fraud and corruption as the purpose of both the IA&AD and Police organization is similar. The following instructions shall be followed by offices of IA&AD in the matter of requisition of documents related to audit functions of the C&AG of India by the police and other investigating authorities for the purpose of investigation of various offences.

(i) All documents relating to the Audit Reports will have to be treated as strictly Confidential right from the stage of issue of preliminary draft paragraph to the government/department till they are presented to the legislature. All documents relating to audit report should be marked "Confidential" While sending them to Head Quarter office/State government/Departmental officers etc. for approval/verification of facts or calling for comments.

(ii) The final and published documents (after presentation to legislature) can be made available to Police or other investigating agencies if so required by them. It may however, be made clear to them that the audit findings recorded in the documents like audit reports are based on scrutiny and may not be conclusive proof of act of omission and Commission of various individual functionaries of the auditee organization.

(iii) In finalizing the audit report the IA&AD relies on records, documents, vouchers, correspondences of the auditee organization. Since the IA&AD is not the originator of such records/documents etc their supply by official of IA&AD and his testimony there on is inadmissible under the relevant provision of Indian Evidence Act. So the police or other investigating authorities may be advised to obtain such records/documents from the concerned authority of auditee organization. However list of such documents as marked (KD) on a copy of the audit para that may form the subject of investigation may be provided to the police and other vigilance authority on written request from them.

(iv) The I.R/Audit Memo/Statement of facts or correspondences etc made between audit and auditee organization are subject to change based on replies and do not reflect final view of the department. These documents therefore do not fall under the category of "Original document" and the police or other investigating agencies should be advised not to insist for their production.

(v) If the police or other investigating agencies insisted upon, a copy of the IR may be given to them pointing out that the original report was already issued to the concerned auditee organization. They should also be informed that the IR of the A/R has been prepared on the basis of information furnished and made available by the concerned auditee organization. The audit office disclaims any responsibilities for any misinformation/or non-information on the part of the auditee organization.

8.8 Summoning of officials as witnesses from IA&AD offices in connection with investigation of various of various offences in auditee organization.

The government of India, Ministry of Home Affairs vide their letter No. 242/41/65-/ND dt.01-06-1965 provides for permitting the investigating officer of the Police department to take statement from Accountant General's officers/officials in the presence of an officer nominated by the Accountant General for the purpose. The Police or investigating authorities may be advised to take statement of officer/officials in the audit office itself in the presence of a officer nominated by the A.G. if in any exceptional cases, questioning of such officers/officials is considered necessary by the police.

If any matter cannot be resolved under instructions continued in C&AG's office letter No. 366-Audit (AP)1-2009 dt.Aug2009, the filed offices are advised to report such matter with full details to Director (legal) in Headquarter office immediately on receipt of requisition from police or other investigating authorities so as to avoid further compilation in the case.

[Authority:- C&AG's letter no. 366-Audit (AP) 1-2009 dt.20-08-2009]

8.9 Social Audit

The XXIV Accountants General Conference 2008, had deliberated on identification of Greenfield areas of audit including Social Audit, and the possibilities of developing strategies and capacities for undertaking such audits. The C&AG of India Constituted a task Group in may 2009 to examine the relevance of Social Audit Methodology to public audit and develop appropriate guidelines for its operationalisation in IAAD. The task group, after wide consultation with stakeholders and Civil Society organization, submitted its report in January 2010, and gave recommendations for bringing Social Audit to Public audit to strengthen the CAG's audit function, particularly in relation to the audit of social sector programmes like Accelerated Rural Water Supply programme (ARWSP) and Pradhan Mantri Gram Sadak Yojana (PMGSY) etc. (in P.W. depts. besides other depts.)

Social audit initiatives fall into two categories ó (i) Social audit carried out by Gram Sabhas (Gaon-Sabha), Panchayat and monitoring Committees as stipulated by the government in the guidelines of various Social sector programmes and (2) Those Civil Society Group. These groups/committee are in a position to obtain direct feedback from beneficiaries on large scale through Gaon Sabha meetings or through oral evidence gathering methods to ascertain the output of social sector programmes and pinpoint grass root level failures.

As a first step towards co-relating Social audit and CAG's audit it was decided to use social audit as a technique to ensure grass root level accountability. In Andhra Pradesh and Rajasthan Social audit initiatives have taken firm roots where the state government have appointed a full fledged Directorate of Social Audit.

The Director General (Audit), vide letter No. III/M/19/79-Audit (AP)/5-2010 dt.18-03-2010 requested all other field offices to examine the recommendations of Task-force and submit action plan to DAI/ADAI indicating the position in respective state for operationalisation of Social Audit. In directing the offices of IA&AD to submit feedback within 6 (six) months the following instruments were given.

- (i) The Head of the offices will have to be personally involved in this initiative and lead from the front.
- (ii) The PAG (Audit) may keep close watch of taking initiative where social audit has not yet taken off in a significant manner.
- (iii) The task group report may be studied to enhance awareness and arrange holding of work-shops Seminars, Training etc.

[Authority: D.G (Audit)'s letter No. III/M/19/79-Audit (AP)5-2010 dt.18-03-2010 with Report of the Task Group on Social Audit]

8.10 Request for Special Audit

The C&AG's manual of Instructions for audit of autonomous bodies contains a Para (15.11) regarding special audit. The instructions given in the said para is reproduced below for guidance to deal with the requests for special audit from the departments of Public Works of the Government of Assam.

(a) When a special audit for special reasons is requested by the State Government as in cases of suspected misappropriation etc the Pr. A.G. (Audit) should comply even though extra cost is involved. The A.G. should however discharge any attempts to make the audit department assume responsibility for inspections which is primarily the duty of departmental heads. A.G. at his discretion, may not agree to take up the work unless the case presents special features and/or require expert scrutiny by the staff of IA&AD. Any request for special audit is to be examined on its merits in the light of preliminary investigations carried out by the departmental authorities. In case it is felt that, preliminary or further investigation by departmental authorities is necessary before undertaking special audit, the matter should be referred to the state government for getting the needful done.

ANNEXURE-A-I (Para 3.8 (G))

Statement showing selection of works for analysis.

Sl.No.	Name of Works	AA No. & date and A.A amount	TS No. & date and T.S. amount	Date of Commencement	Target date of completion	Expenditure during the period under audit	Total Progressive expenditure up the month covered by audit	Selected for detailed analysis	Reasons for selected
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>	<i>(6)</i>	<i>(7)</i>	<i>(8)</i>	<i>(9)</i>	<i>(10)</i>

IO/I.A.

ANNEXURE-A-II (Para 3.8(G))

Statement showing selection of months accounts for detailed checking.

Months	Expenditure on salaries item	Expenditure on No. Salaries	Total Expenditure	Month selected for detailed checking	Reasons for selection
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>	<i>(6)</i>

CASS: Form No. 6
Report on Audit Planning (reference para 1.3)
Audit Planning for the financial year

I. Central Audit

i) **Distribution of men in position 1st Aprilyear.....**

Wing	Available						
	Sr. A.O.	A.O.	A.A.O.	S.O. (A)	Supervisor	Sr. Ar.	Ars.

II. Central Audit (a) Audit of vouchers.

Sl.No	Group	Total Number of		Number to be Audited	
		Units	Vouchers	Units	Vouchers

Form 18
Para 1.4 (A)

Register of Receipt of Vouchers

Sl. No	Name of Treasury	Major Head of Accounts									Remarks
		Date of receipt of vouchers for the month of from A.G. Accounts									
		April	May	June	July	August	September	October	November	December	

**FORM – CASS. 20
Para-1.4 (B)**

**Selection Register for Audit of Vouchers received with Monthly by
Accounts, Public Works Divisional Officer.**

Name of Division

Name of CAP

Month of Accounts

Name of Major Head

Name of State

Sl. No	Particulars of Vouchers	Total No. of Vouchers	Total Number of vouchers to be Audited	Number of Vouchers audited	Remarks
1	Pay bills of W.C. Estt.				
2	R.A. bills involving check with agreement (i) Upto Rs.10,000 (ii) RS.10,000 to Rs.50,000 (iii) First and Final Bills				
3	R.A. bills not involving check with contract of 3 categories detailed in Sl.No. 2 above.				
4	Hand Receipts upto Rs.50,000 Hand Receipts above Rs.50,000				
5	Final contractors bills above Rs.50,000				
6	Others				

Form SMI (1) modified

Certified that all vouchers entered in column 5 have been audited and in respect of other vouchers not marked for Audit prescribed check have been exercised.

Sr. Auditor/Auditor

AAO/SO (A)

FORM – CASS. 21

Selection of Register for Review of vouchers received with monthly accounts of P.W. Divisional Officer.

(1) Name of the Division No. of CAP Month of Accounts

(2) Major Head name of Section Reviewed by:

Sl. No		Total No. of Vouchers audited	Total Number of vouchers to be reviewed	Remarks
1	Pay bills of W.C. Estt.			
2	R.A. bills including check with agreements (i) Upto Rs.10,000 (ii) Rs.10,000 to Rs.50,000 (iii) 1 st and Final Bills			
3	R.A. bills not including check with agreements of 3 categories detailed in Sl.No. 2 above.			
4	Hand Receipts upto Rs.50,000 Hand Receipts above Rs.50,000			
5	Final contractors bills above Rs.50,000			
6	Others			

Certificate of review of audited vouchers

Certified that besides a general examination of all vouchers, I have fully reviewed those entered in Col. 4 and also checked classification of items exceeding Rs.2,500. Under the detailed Head of Accounts in all the other vouchers.

AAO/SO (Audit)

ANNEXURE – B

Para 3.1 (viii)

Detailed of old outstanding paras settled.

Name of the Division:-----

Settlement of paras as a result of review of compliance of old IRs.

Sl. No	IR Period	Total No. of outstanding	Paras settled through			Balance of outstanding paras
			Updating taken in current IR	Verification of facts	Discussion	

Inspecting Officer

ANNEXURE
(Referred to in para 1.3)

Registered to be maintained in the WI

FORM-I

Registered of watching the receipt and issue of IR

Sl.No	Name of Office inspected	Name of inspecting officer & staff	Month upto which the account audited	Date of audit		Date of receipt of draft report	Date of submission of IR to AO/DAG
				From	To		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

Date of approval	Date on which sent for type	Date of return from type	Date of issue	Reference to progress register	Remarks
(9)	(10)	(11)	(12)	(13)	(14)

FORM-2

Progress register of settlement of IRs

Slink	Name of the unit inspected	Item No. of the register of IRs	Date of completion	No. and date under which report was issued	Due date of receipt of reply	No. and Date of reminders
(1)	(2)	(3)	(4)	(5)	(6)	(7)

Date of receipt of 1 st reply	Date of issue of further audit remarks	Further correspondence			Remarks (Here individual no. of para outstanding after 6 months of the issue of report should be given and circled as and when finally settled)
		Date of receipt of further replies	Date of issue of further remarks or reminder	Date of closure of IR	
(8)	(9)	(10)	(11)	(12)	(13)

Annexure-6

(Referred to in Para-4.2, 4.1)
Receipt of Draft Inspection Reports from PWI Parties

Proforma-I

Section	No. of IR to be received as per the previous report	No. of units audited in respect of which IR to be received upto 15 th of the previous month	Total no. of IRs to be received	No. of IRs received					Balance of IR to be received		
				Within the stipulated time	Delay of 7-15 days	Delay of 16-30 days	Delay of 30 days	Total	No. of IRs relating to previous report	No. of IRs relating to current report	Total
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>5 (a)</i>	<i>5 (b)</i>	<i>5 (c)</i>	<i>5 (d)</i>	<i>5 (e)</i>	<i>6 (a)</i>	<i>6 (b)</i>	<i>6 (c)</i>

Audit Officer

Proforma-II

Issue of Inspection Report

Section	Total no. of IRs remained to be issued as per last report				Total no. of IRs received during the month Col. 5 (e) of Part-I	Total 2 (e) +3	
	Under type	Under comparison	Under editing with				Total
			BO	GO			
<i>1</i>	<i>2 (a)</i>	<i>2 (b)</i>	<i>2 (c)</i>	<i>2 (d)</i>	<i>2 (e)</i>	<i>3</i>	<i>4</i>

No. of IRs actually issued					Balance to be issued				
Within the stipulated time	Delay of 7-15 days	Delay of 16-30 days	Delay of more than 30 days	Total	Under editing with		Under type	Under comparison	Total
<i>5 (a)</i>	<i>5 (b)</i>	<i>5 (c)</i>	<i>5 (d)</i>	<i>5 (e)</i>	<i>6 (a)</i>	<i>6 (b)</i>	<i>6 (c)</i>	<i>6 (d)</i>	<i>6 (e)</i>

Audit Officer

ANNEXURE VII

Survey Questionnaire for IT Application

Name of the UNIT: _____ Location: _____

Sl. No.	Name of IT Application	Functional Area covered *	IT System Architecture **	Details of Software			Details of Hardware	
				Operating System (s)	Application System (s)	Networking Software	Hardware including terminals employed	Networking Hardware employed
1	2	3	4	5(i)	5(ii)	5(iii)	6(i)	6(ii)

- *- Accounting System, Financial Management System, Inventory/Stock Management System, Decision Support System (MIS), Manufacturing/Engineering System, Payroll, Personnel and Administration, Marketing, Sales, ERP, R&D and other (Please specify)
- ** - File Server System, Client Server System, Distributed Processing System or Webbased/EDI

Level of dependency on the application ***	Systems bearing on Financial and Accounting aspects (Yes/No)	Date of system becoming operational	Total investment (Rs. in Lakh)		Current status of IT System**** (if system under development)	Total Project Cost (Rs. in lakh)	Target date of completion (if system under development)	Methodology adopted in developing the application system *****
			Hardware	Software				
7	8	9	10(i)	10(ii)	11(i)	11(ii)	11(iii)	12

- *** - High, Medium or Low
- **** - Feasibility Study Stage, User Requirement Specification Stage, Design Stage, Development stage, Testing Stage, Parallel Run Stage or Implementation Stage.
- ***** - COBIT, CMM etc.,

List of K.I.Es (Books) Consulted

1. C&AGø (DPC) Act 1971.
2. Regulation on Audit and Accounts 2007.
3. C&AGø Auditing Standards 2002.
4. MSO (Audit) 2nd Education 2002.
5. Financial Attest Audit Manual (FAAM) 2009.
6. Performance Auditing Guidelines 2004.
7. Internal Control Evaluation Manual 2009.
8. Manual of Instruction for audit of Autonomous Bodies.
9. Manual of instructions on Central Audit (MICA) 1984.
10. CPWD Manual Voll-II.
11. Assam Financial Rules.
12. Account code Vol-III.
13. Forms of Account of Union and State (Basic) Rules.
14. Manual of OAD (Civil) 2007.

Concordance Table

Correlating the Paras of existing Manual with the paras of revised edition.

Chapter-I	
New Paras	Old Paras
1.1	1
1.2	2
1.3	New Para
1.4 (A)	9
1.4 (B)	10 (c) (vi)
1.4 (C)	4
1.4 (D)	8
1.5	10 (a)
1.5 (a)	10 (a)
1.5 (b)	10 (a)
1.6	10 (b)
1.7	3
1.8	5
1.9	7
3.14	6

Chapter-II	
New Paras	Old Paras
2.1	11
2.2	12
2.3	New Para
2.4	15
2.5	15
2.6	New Para
2.7	21 (c)
2.7 (i)	New Para
2.7 (ii)	21 (c)
2.7 (iii)	New Para
2.7 (iv)	New Para
2.7 (v)	New Para
2.7 (vi)	New Para
2.8	19
2.9	20
2.10	17
2.11	21
2.12	13
2.13	21 (B)
2.14	New Para
2.15	24 (a)
3.3	14
2.9	16
2.6	18
3.4	22
3.8	23

Chapter-III	
New Paras	Old Paras
3.1	25
3.2 (1)	26
3.2 (2)	26
3.2 (3)	New Para
3.3	14 of Chap-II
3.4 (a)	14
3.4 (b)	New Para
3.5	New Para
3.6	27
3.7 (i)	New Para
3.7 (ii)	New Para
3.8 (A)	27 (c)
3.8 (B)	27 (D)
3.8 (C)	27 (E)
3.8 (D)	27 (F)
3.8 (E)	27 (G)
3.8 (F)	27 (H)
3.8 (G)	New
3.9	23 of II
3.10	27 (y)
3.10 (a)	27 (A) (1)
3.10 (b)	27 (A) (2)
3.10 (c)	27 (A) (3)
3.10 (d)	New Para
3.10 (e)	27 (B)
3.10 (f)	New Para
3.11	27 (y)
3.12	New Para

New Paras	Old Paras
3.13	28
3.14 (i)	27 (S)
3.14 (ii)	27 (V)
3.14 (iii)	27(M)
3.14 (iv)	27 (T)
3.14 (v)	27 (L)
3.14 (vi)	27 (X)
3.14 (vii)	27 (W)
3.14 (viii)	27 (P)
3.14 (ix)	27 (Q)
3.14 (x)	27 (O)
3.14 (xi)	27 (U)
3.15	27 (V)
3.16	27 (J)
3.16 (A)	27 (B)
3.16 (B)	27 (C)
3.16 (C)	27(C)
3.16 (d)	27 (K)
3.16 (E)	New Para
3.17	New Para
3.18	New Para
3.19 (A)	New Para
3.19 (B)	New Para
3.19 (C)	New Para

Chapter-IV	
4.1	29
4.2	30,31
4.3	32
4.4	New
4.5	31,33
4.6	New
4.7	New
Chapter-V	New
Chapter-VI	New
Chapter-VII	New
Chapter-VIII	New