



(मात्र भारतीय लेखापरीक्षा तथा लेखा विभाग के कमचारियों के उपयोग हेतु)
(For use by the Officials of the Indian Audit and Accounts Department only)

कायालय प्रधान महालेखाकार (आर्थिक एवम राजस्व क्षेत्र लेखापरीक्षा), गुजरात, अहमदाबाद
Office of the Principal Accountant General (Economic and Revenue Sector Audit),
Gujarat, Ahmedabad

वित्तीय सत्यापन लेखापरीक्षा का नियमावली
(प्रथम संस्करण)
MANUAL FOR FINANCIAL ATTEST AUDIT
(FIRST EDITION)

प्रधान महालेखाकार (आर्थिक एवम राजस्व क्षेत्र लेखापरीक्षा), गुजरात, अहमदाबाद द्वारा जारी

Issued by

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PREFACE TO THE FIRST EDITION

In our federal system, the State's Governments are assigned with larger responsibilities towards the citizens. Further, the functions and activities of a State have also been increasing continuously. Transparency in functions and activities of the Government is one of the requisites of good governance. Transparency in financial statements of Government, *inter-alia*, ensures credibility of management of public financial resources.

Financial attest audit in our office is intended to reduce the possibility of a material misstatement in financial statements of the Government of Gujarat and, therefore, give assurance regarding credibility to such statements. Also, through the financial attest audit we seek to ensure that these financial statements are prepared in accordance with established and existing accounting principles.

This manual seeks to incorporate the methodology and practices adopted by various sections involved in our office in respect of financial attest audit. The instructions and procedures contained in this manual are supplementary to the instructions issued by the Headquarter office from time to time.

I hope that this manual will be helpful in providing necessary assurance to all stakeholders and will streamline the financial attest audit practices in this office.

Suggestions either for improvement of this manual or rectification of omissions, if any, should be brought to the notice of SAO, FINAT for necessary corrections in the next edition.

Place: Ahmedabad

(Y. N. Thakare)

Date:

Pr. Accountant General (E&RSA), Gujarat

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CHAPTER - 1

INTRODUCTION

Financial Attest Audit (FAA) is concerned with the expression of audit opinion on a set of financial statements. Financial Attest Audit is required to be carried out to reduce the possibility of material misstatements in a financial statement and thereby, provide credibility to such a statement. It includes mainly:

- (a) Examination and evaluation of financial records and expression of opinion on financial statements;
- (b) Audit of financial system and transactions including an evaluation of compliance with applicable statutes and regulations which affect the accuracy and completeness of accounting records; and
- (c) Audit of internal control and internal audit functions that assist in safeguarding assets and resources and assure the accuracy and completeness of accounting records.

1.2 MANDATE OF CAG

The Comptroller and Auditor General of India (CAG) derives his authority and functions mainly from the provisions of Articles 149 to 151 of the Constitution of India. Article 149 of the Constitution provides that the CAG shall exercise such powers and perform such duties in relation to the accounts of the Union and of the States and of any other authority or body as may be prescribed by or under any law made by Parliament. Further, Article 151 of the Constitution requires the CAG to submit reports relating to accounts of the Union and of a State to the President or the Governor of the State for being placed before Parliament/ Legislature of a State.

Section 13 of the CAG's (Duties, Powers and Conditions of Service) Act (hereinafter the DPC) Act, 1971 requires the CAG to audit all transactions of the Union, of the States and of the Union Territories having a Legislative Assembly, relating to the Consolidated Fund, the Contingency Funds and the Public Accounts and to audit all trading, manufacturing, profit and loss accounts and balance sheets and other subsidiary accounts kept in any department of the Union or of a State or a Union Territory. This section enjoins on the CAG the duty to report on the accounts, expenditure or transactions so audited by him.

Regulations 33-42 of the 'Regulations on Audit and Accounts, 2007 of the CAG also provide guidance on conducting financial audit.

Presently, the Indian Audit and Accounts Department (IA&AD) carries out FAA of the following entities:

Entity	Types of Financial Statements
Union Government	Finance Accounts (FA) and Appropriation Accounts
Union Territory Governments	

State Governments	(AA)
Autonomous Bodies	Balance Sheet and Income & Expenditure Accounts/Revenue Account
Statutory Corporations	Balance Sheet and Profit and Loss account/ Revenue Account
Government Companies	Balance Sheet and Profit and Loss account
External Aided Projects	Project Financial Statements/ Statement of Expenditure

1.3 FINANCIAL ATTEST AUDIT OF STATE GOVERNMENT ACCOUNTS

Accounts, in so far as the Union and State Governments are concerned, denote the Finance Accounts and Appropriation Accounts (FA & AA). Section 10 to 12 of the CAG's (DPC) Act, 1971 deal with the responsibility of CAG in relation to compilation of accounts of the Union and the States.

The annual FA&AA are prepared by the respective Accountants General in the states and Union Territories with legislatures with the exception of Goa, Delhi and Puducherry which have their own Directorate/Controller of Accounts. The Audit of these accounts is done independently in each state by one of the Audit offices designated as the Principal Auditor in accordance with the requirements of Articles 149 to 151 of Constitution of India and the CAG's (DPC) Act, 1971. The Principal Auditor has the responsibility of certifying the annual accounts prepared by the A&E office from the transaction details furnished by the various accounts rendering units of the State Government. Further, the Principal Auditor is also responsible for the Report on State Finances. The other Audit Offices in the states which contribute to the audit of FA&AA by performing checks on various transactions forming part of the monthly accounts or financial statements of the State Government are designated as sub-auditors. The audited entity for the purpose of FAA of State Government Accounts is the Finance Department of the State Government. The office of Accountant General (A&E) acts as a partner in the exercise.

1.4 RESULTS OF AUDIT

The objectives of conducting FAA of State Government Accounts are to provide an assurance on accounts to the stakeholders, improving quality of accounts, encouraging systemic improvements and enforcing financial discipline. The outcome of FAA can be in the following forms:

- i. Revision/correction of Accounts
- ii. Managements Letter
- iii. Audit Opinion
 - a. Audit Certificate
 - b. Significant audit findings in the Report on State Finances

1.4.1 MANAGEMENT LETTER

The Principal Auditor issues a Management Letter to the Principal Secretary in-charge of the Finance Department pointing out those audit findings which though not material enough to affect the audit opinion, need to be addressed to improve the quality of accounts. A copy of the Management Letter is also be sent to the Accountant General (A&E). A Management Letter can also be issued to the A&E office for matters relating to compilation of accounts.

1.4.2 AUDIT OPINION

Audit of financial statements are ‘reasonable assurance’ engagements. Given the inherent limitations of an audit engagement, the auditor can only provide a ‘reasonable assurance’ and not an ‘absolute one’, the result of which is that most of the audit evidence obtained by the auditor will be persuasive rather than conclusive. The generally used practice is to indicate audit opinion as to whether the financial statements give “a true and fair view”.

Accordingly, the results of this audit are communicated to the external stakeholders through an audit opinion which has two components:

- i. Audit Certificate:** The exact format of audit certificate is governed by the instructions issued from the Headquarters Office. However, the auditor may express various types of opinions such as an unqualified/unmodified opinion, unqualified opinion with emphasis of matter or a qualified/modified opinion.

An unqualified opinion is given when in the judgement of Principal Auditor; the financial statements fairly present/given a true and fair view and have been prepared in accordance with relevant accounting requirements. The Principal Auditor may give an unqualified opinion and also include explanatory paragraphs known as ‘Emphasis of Matter’ if he is of the view that there are certain issues which must be brought to the notice of the stakeholders as a part of audit opinion. The audit opinion should be modified where the Principal Auditor is unable to satisfy himself that the Financial Statements are free from material misstatement whether caused by fraud, error or other irregularity. For Appropriation Accounts, a modified opinion is also given on all excess votes.

- ii. SIGNIFICANT AUDIT FINDINGS IN REPORT ON STATE FINANCES:**

Significant irregularities noticed during audit of FA&AA should be presented as audit findings along with an analysis of underlying causes and their impact. The audit findings could relate to financial management weaknesses, internal control deficiencies or inappropriate accounting treatments noticed during the audit.

1.5 DIRECTIONS FOR CONDUCTING FINANCIAL ATTEST AUDIT

The Financial Attest Audit Manual 2009 (FAAM) of IA & AD lays down the framework for the process of FAA within the Department. This Manual was brought out in June 2009 with the objective of bringing the Indian practice at par with the international best practices as far as applicable.

Further, Financial Attest Auditing Guidelines, (henceforth FAA Guidelines) for conducting FAA of State Government Accounts was approved by the Comptroller

and Auditor General of India in March 2015. The guidelines recognise the role of AG (A&E), PAG/AG (Audit) and State Government for FAA of the State Government accounts and aim at establishing synergy in their working.

1.6 FINANCIAL ATTEST AUDIT O/o PR. AG (E & RSA)

Prior to restructuring of audit offices in Gujarat, the functions related to Finance Attest Audit and preparation of Report on State Finance were assigned to works wing in Ahmedabad under the jurisdiction of the office of the Accountant General (Civil Audit) Gujarat, Rajkot.

The detailed status of pre and post restructuring of the sections are provided in respective Chapters.

The annual FA&AA are prepared by the Accountant General (A & E) Gujarat, Rajkot and audited by O/o the Pr. AG (E & RSA) Gujarat, Ahmedabad as the Principal Auditor in this State. The O/o the AG (G & SSA) Gujarat, Rajkot acts as Sub-Auditor for the purpose of FAA in Gujarat.

The O/o Pr. AG (E&RSA) Gujarat, Ahmedabad deals with FAA of monthly compiled accounts of divisions of Road and Building Department and Narmada, Water Resources, Water supply and Kalpsar Department (except Water Supply Department), accounts of Pay and Accounts Offices at Gandhinagar and Ahmedabad and monthly Civil Accounts and Monthly Appropriation Accounts and certification of FA & AA. Further, it is also responsible for the preparation of Report on State Finances for the State of Gujarat. There are dedicated sections for each of the above works as mentioned below:

1.6.1 FINANCIAL ATTEST AUDIT TEAM (FINAT)

A dedicated section Finance & Appropriation Account Audit Team (FAAAT) was constituted in July 2013 in the O/o Pr. AG (E&RSA), Gujarat, Ahmedabad after approval of the then AG (E&RSA). After approval of the new FAA Guidelines by CAG in March 2015, the section was renamed as Financial Attest Audit Team (FINAT).

1. 6.2 FINANCIAL ATTEST WING (FAW)

The Financial Audit Wing consists of three sections viz. FAW-I, FAW-II and FAW-III. These FAW-I, FAW-II and FAW-III sections are responsible for the financial audit of the transactions of the monthly accounts of the divisions of Road and Building Department and Narmada, Water Resources, Water supply and Kalpsar Department (except Water Supply Department). Financial audit is supplemented by local audit of the accounts of these departments.

1. 6.3 RESIDENT AUDIT OFFICES (RAOs)

There are two RAOs, located at Gandhinagar and Ahmedabad for audit of the accounts and contingent vouchers of respective Pay and Accounts Offices at both places.

1.6.4 STATE FINANCE REPORT (SFR)

The SFR section is responsible for preparation of CAG's Report on State Finances for the Government of Gujarat and obtaining its approval from Headquarter office.

The details regarding functioning of the above sections are contained in the subsequent chapters.

1.7 OUTLAY OF THIS MANUAL

This office manual deals only with the FAA of State Government's Annual Accounts (FA and AA), monthly compiled accounts of division of Road and Building Department and Narmada, Water Resources, Water supply and Kalpsar Department, accounts of Pay and Accounts Offices at Gandhinagar and Ahmedabad and the preparation of Report on State's Finances.

The instructions in respect of FAA of entities like Autonomous Bodies, Statutory Corporations, Government Companies and External Aided Projects are available separately.

This manual is mainly based on existing instructions within the Guidelines for audit of State Government Accounts. The checklists wherever applicable have been mentioned in the relevant paragraphs and annexed at the end of this manual. However, checklists which are already available in the other existing manuals and guidelines have not been reproduced in this manual for the sake of clarity.

This present volume of manual contains five chapters including the introductory chapter. The second chapter deals with functions of FINAT section. The third and fourth chapters deal with audit of monthly accounts of various divisions and monthly accounts of Pay and Accounts Offices respectively. The final chapter deals with the Report on State Finances.

FINANCIAL ATTEST AUDIT TEAM

2.1 INTRODUCTION

The Financial Attest Audit of State Government Accounts now has to be conducted as per the Guidelines approved by the CAG of India in March 2015. The Guidelines recognize the roles of AsG(A&E), PAsG/AsG (Audit) and the state governments and aim at establishing synergy in their working.

In Gujarat, the O/o the Pr. AG (E & RSA), Ahmedabad functions as the Principal Auditor and O/o the AG (G & SSA), Gujarat, Rajkot functions as the Sub- Auditor in respect of the financial attest audit of the State Government accounts. The FINAT is to be headed by a Senior Audit Officer and has a sanctioned strength of two Assistant Audit Officers and seven Auditors.

2.2 RESPONSIBILITIES/FUNCTIONS OF FINAT

1. Audit of the Annual Accounts of the State Government (the Finance Accounts and the Appropriation Accounts) and expressing an opinion on these Accounts based on the results of such audit
2. Planning, execution, reporting and documentation of different stages of the audit of Finance Accounts (FA) and Appropriation Accounts (AA), audit of Monthly Civil Accounts and Monthly Appropriation Accounts and co-ordination with the other teams in the Financial Audit Wing dealing with scrutiny of vouchers, sanctions, etc. and Treasury Inspection teams of the office of Accountant General (A&E), Gujarat, Rajkot.
3. Vetting of draft explanation notes (through UORs) submitted by all departments on the comments appearing in the Appropriation Accounts of Gujarat before their submission to the Public Accounts Committee.
4. Rendering an opinion on proposals for opening of new sub-heads received from the State Government to the O/o the AG (A&E), Gujarat, Rajkot. (Source : D.G (GA) instruction vide letter. TM/S-2//ONS-COR/2012-13/573 dated 29.12.2014.
5. Checking of Accounts at a Glance prepared by the O/o AG (A&E), Gujarat, Rajkot annually.

2.3 EXECUTION OF AUDIT PROCESS

The Guidelines lay down the timelines for the financial attest audit of the accounts of the State Government, procedures to be followed in such audit, responsibility centers for the audit and the audit checks to be exercised by the audit team for proving the correctness of assertions made in audit. The audit procedure has been structured as under:

- a. Audit Planning
- b. Audit Implementation
- c. Documentation and Reporting.

2.3.1 AUDIT PLANNING STAGE

The audit of FA and AA currently commences with the issue of a time schedule by the Government Accounts wing of the Headquarters office (CAG's office). On the basis of this schedule, O/o the AG (A&E), Gujarat, Rajkot communicates a detailed time schedule for audit and certification of FA and AA.

The audit planning process for financial attest audit of State Government accounts would have the following elements:

2. 3.2 INTERNAL CONTROL ASSURANCE

2. 3.2.1 ASSURANCE FROM A&E OFFICE

The accounts of the State Government are compiled and prepared by the AG (A&E) through voucher level compilation (VLC) system from the primary records and accounts maintained by the State Government. It is important that FINAT obtains an assurance from the O/o the AG (A&E) on correctness of records maintained by that office. Assurance on VLC on validation controls, inclusion of all accounts rendering units in monthly accounts and capturing of budget data against each unit of appropriation are to be obtained by FINAT from the O/o the AG (A&E) on an annual basis. However, the FINAT will also validate the internal control assurance given by the O/o AG (A&E) through independent test checks.

(Source: Para 2.11 of the Guidelines)

2. 3.2.2 ASSURANCE FROM STATE GOVERNMENT

Information on guarantees given by State Government, investment in Statutory Corporations/ Government Companies, incomplete works etc., are furnished by the Finance Department/other departments, which appear as part of the financial statements. In these cases, an assurance from the Finance Department/other departments should be obtained by FINAT, through A&E Office or directly on the correctness of the data depicted in the Annual Accounts to be certified by the Principal Auditor . However FINAT should also conduct independent test check for confirming the robustness of the system prevent in the departments.

(Source: Para 2.12 of the Guidelines)

2.3.3 RISK ANALYSIS

Audit planning requires conducting of risk analysis of account areas, accounting information, and accounts rendering units, expenditure incurring units and revenue for collection units. The decision on selection of appropriate sampling method, materiality levels and risk parameters is taken on the basis of a formal process of identifying risk parameters and their evaluation. *(Source: Para 2.13– 2.15 of the Guidelines)*

2.3.4 DETERMINING MATERIALITY LEVELS & SAMPLE SELECTION

FINAT shall receive vouchers details from VLC section of O/o the AG (A&E). The selection of samples for substantive testing of accounting inputs like vouchers, challans, classified abstracts, consolidated abstracts, transfer entries, settlement

accounts, clearance memorandum and different transactions forming part of the accounts will be done by Principal Auditor by adopting appropriate statistical sampling methods. Similar activities are required to be done by Sub- Auditors in their respective audit jurisdictions. FINAT has to apply the appropriate sampling methodology as decided by the Principal Auditor, i.e. Pr. AG (E&RSA) Gujarat, Ahmedabad to draw the sample transactions and communicate the same to FAW, field audit parties and treasury inspection teams.

(Source: Para 2.16 and Annexure D of the Guidelines)

2.3.4.1 SAMPLING PROCEDURE ADOPTED IN THE O/O PR. AG (E&RSA), GUJARAT, AHMEDABAD

Monetary Unit Sampling Method through the IDEA application is being applied in the O/o Pr. AG (E&RSA) Gujarat, Ahmedabad on vouchers (revenue and capital separately) from April 2015 onwards as given below:

- Confidence level not below 95%.
- Upper Error Limit not above 1% of total amount.
- Expected Error Rate not above 0.49%.

Further, the details of treasury vouchers are stratified in three categories as under:

- 1 Vouchers having money value less than Rs. 5 lakh.
- 2 Vouchers having money value between Rs.5 lakh and Rs.1 crore.
- 3 Vouchers having money value more than Rs.1 crore.

The sampled vouchers details are communicated to FAW in O/o AG (G&SSA) Rajkot by FINAT for substantive testing of vouchers.

2.3.4.2 CHECKING OF CERTAIN CLASS OF VOUCHERS

FINAT will check 100 *per cent* of transactions, forming part of the Monthly Civil Accounts and Report on Monthly Expenditure (Monthly Appropriation Accounts) of the State considered material by Nature and Context. The details of Accounts Heads have been given below for such checking:

- Loans under Major Heads 6075 to 7615(except 7610-Loans to Government servants, etc.)
- Public Debt under Major Heads 6003 and 6004;
- Contingency Fund under Major Heads 7999 and 8000;
- Reserve Funds booked under Major Heads 8115 to 8235;
- Minor Heads 101–Pay and Accounts Office-Suspense, 102–Suspense Account (Civil),109– Reserve Bank Suspense (Headquarters), 110–Reserve Bank Suspense (Centre Accounting Office), 111–Departmental Adjusting Account under major Head 8658 –Suspense Accounts
- Cash Balances booked under Major Head 8999 – Cash Balances
- Cash Balance Investment Account – 8673
- Minor Head 800-Other Expenditure (especially if schemes like flag ship programmes are booked here)

Any other Head of Account for which this office feels that 100 *per cent* check has to be conducted can be added to the above list.

(Source: Para 2.18 of the Guidelines).

2.3.5 DECIDING DOCUMENTATION REQUIREMENTS IN FORM OF MATRIX & INFORMATION SHEET

FINAT would prepare a ‘*Matrix*’ showing the assertions sought to be proved, sample of transactions and vouchers selected for carrying out the test and substantive audit tests to be carried out. A sample matrix is given at Annexure-B of the Guidelines.

(Source: Para 2.20 and Annexure B of the Guidelines)

FINAT would monitor receipt of ‘*Information Sheet*’ based on the ‘*Matrix*’ supplied to all the audit teams involved in the Financial Attest Audit (FAA) of FA & AA showing the nature of substantive audit test, the units/account area/account information on which the test was carried out and the results of the substantive audit tests carried out by FAW, Local Audit Parties and Treasury Inspection units. The Information Sheets will be forwarded to FINAT from FAW on a monthly basis. Local inspection parties and treasury inspection units will attach the information sheet as a separate appendix to the regular inspection reports and these will be forwarded to FINAT after vetting by the concerned headquarters section of the respective wings.

(Source: Para 2.21 and Annexure-C of the Guidelines)

2.3.6 AUDIT IMPLEMENTATION

2.3.6.1 PREPARATORY WORK FOR COMMENCEMENT OF FINANCIAL ATTEST AUDIT.

The implementation of FAA of State Government accounts should appropriately start with a review of the State budget. As per the Guidelines, the office of the Principal Auditor may rely on the Budget Review Report prepared by O/o the AG (A&E). FINAT will obtain the copy of Budget Review Report from the O/o AG (A&E), Gujarat, Rajkot on an annual basis.

Before the commencement of the audit of transactions from the first month of the financial year, Audit has to ensure that budget provisions/estimates included in the Demands for Grants and other budget documents have been correctly carried over into the Voucher level Computerization (VLC) system and records maintained in the Book Section. In Gujarat, the A&E office has been getting data in electronic format and has been importing it electronically to the VLC system, FINAT need not check correctness of the budget data transferred to VLC system. It is sufficient to seek an assurance in this regard from the A&E office.

(Source: Para 3.2 to 3.4 of the Guidelines)

2.3.7 FAA IMPLEMENTATION STAGES:

The Implementation of Financial Attest Audit can be organized in two Phases
Phase I - Year Long Activities

2.3.7.1 Examination of Sanctions & vouchers performed by FAW and communicated to FINAT. *(Source: Para 3.7 to 3.13 of the Guidelines)*

2.3.7.2 FAA USING INPUTS FROM INSPECTION OF TREASURIES -

Inspection of Treasuries will be performed by O/o the AG (A&E) and result will be communicated to FINAT on a quarterly basis. (*Source: Para 3.14 – 3.16 of the Guidelines*)

2.3.7.3 ANALYSIS OF INPUTS BY FINAT

FINAT would analyse the inputs received from desk audit and local audit of selected vouchers, treasury inspection reports and monthly accounts to ascertain their impact on the financial statements. FINAT may conduct a wider audit of accounting areas where major deficiencies, weaknesses or inaccuracies were noticed during the above mentioned examinations. The objectives of such audits would be to identify underlying reasons of deviations and their impact on the financial statements. The results of this audit should be reported in the Report on State Finances, if considered significant or informed to the State Government in the form of a Management Letter. (*Source: Para 3.17 of the Guidelines*)

2.3.7.4 AUDIT OF THE MONTHLY CIVIL ACCOUNTS AND REPORT ON MONTHLY EXPENDITURE (MONTHLY APPROPRIATION ACCOUNTS)

As the next step, FINAT will perform the detailed audit of monthly civil accounts, Report on Monthly Expenditure (Monthly Appropriation Accounts) and their underlying transactions and vouchers is to be taken up. This audit should be taken up immediately after the O/o the AG(A&E) shares the monthly civil accounts for the month of September with the Principal Auditor since this would provide half-yearly figures of expenditure and receipts. Detailed audit of the monthly civil accounts and the Report on Monthly Expenditure (Monthly Appropriation Accounts) may be carried out for the selected months of September, January, February, March (preliminary) and March (supplementary).

The objective of the audit checks in this phase are to identify errors, unauthorized expenditure etc. if any, sufficiently early so that corrections can be carried out before the accounts for the year are finally closed. FINAT will also test check transactions indicated in the 'Verified Date-wise Monthly Statement' for each month. The audit checks to be carried out at this stage are indicated in 'Audit Checks for audit of Monthly Civil Accounts' as given in Annexure –G of the Guidelines. The audit checks to be carried out on Report on Monthly Expenditure (Monthly Appropriation Accounts) are indicated in the 'Audit Checks for audit of Report on Monthly Expenditure (Monthly Appropriation Accounts)' as given in Annexure – H of the Guidelines.

(*Source: Para 3.18-3.19 of the Guidelines*)

2.3.7.5 COMPREHENSIVE REVIEW OF GRANTS

FINAT should conduct a comprehensive review of at least two Grants every year. The results of this audit and the findings of audit of monthly civil accounts, Report on Monthly Expenditure (Monthly Appropriation Accounts) and the FA & AA should be used for reporting on the administration of the Grant by the departmental officers. Grants for such review may be selected by the Principal Auditor using professional

judgment on the basis of substantial persistent savings/excesses/other irregularities disclosed in past appropriation accounts. Failure of the controlling and drawing & disbursing officers to restrict their expenditure within the allotted amounts would be requiring special attention and probe. (*Source: Para 3.20 of the Guidelines*)

2.3.7.6 REGISTER OF AUDIT OBSERVATIONS.

A separate Register may be maintained in FINAT to record errors and omissions noticed during audit of Report on Monthly Expenditure (Monthly Appropriation Accounts)/ Monthly Civil Accounts for follow up action. The unsettled cases which may have impact on the accuracy or completeness of FA & AA should be considered for audit comments and for qualification of accounts as well as for inclusion as comments in the Report on State Finances. (*Source: Para 3.21 of the Guidelines*)

Phase II - Year End Activities

2.3.7.7 ENTRY AND EXIT CONFERENCE.

Entry conference with the State Government is to be organized at an appropriate time, before the start of Phase- II of audit implementation. In such conference, the O/o the AG (A&E) and other Sub-Auditors should also participate. This conference may be organized along with the Exit Conference being organized by AG (A&E) to discuss finalization of accounts. It is of paramount importance that the audit objectives, scope, methodology are discussed with the Finance Department of the State Government, and also sent to them through a formal communication with a copy to the AG (A&E).

(*Source : Para 3.22-3.23 & 3.34 of the Guidelines*)

2.3.7.8 AUDIT OF STATEMENTS AND APPENDICES OF FINANCE ACCOUNTS.

FINAT will commence the audit after the submission of Statements and Appendices of Finance Accounts by the O/o the AG (A&E). In addition to the audit checks prescribed, review of compliance with audit observations pointed out during earlier phase of audit will also be part of the scope of audit of this phase. In case, corrections are carried out later on in the Monthly Civil Accounts already audited, these corrections should be scrutinized and their impact on accounts assessed. The detailed audit checks to be carried out on each Statement and Appendix of Finance Accounts are indicated in the 'Audit Checks for audit of Finance Accounts' as given in Annexure – I of the Guidelines.

2.3.7.9 AUDIT OF APPROPRIATION ACCOUNTS.

FINAT will commence the audit of Annual Appropriation Accounts as soon as Grant Statements containing information relating to grant number, nomenclature of the heads of accounts up to sub-head level forming part of the particular grant and final grant against each sub head are received from AG (A&E). The correctness of grant number and nomenclature of heads of account should be checked at this stage with reference to those in detailed demands for grants and any corrigendum issued thereof as also the Supplementary Demands for Grants for the year. Further, information relating to the sanctioned provision (Original and Supplementary) and the effect of re-appropriation/resumption orders issued during the year against each sub-head should also be checked for correctness.

Audit of detailed Appropriation Accounts showing final Grant expenditure figures should focus on verifying whether the expenditure incurred is within the sanctioned provision or is covered by re-appropriation orders issued to meet the excess expenditure. Finally the audit of the final Appropriator Accounts is to be taken up as per the audit checks attached as Annexure- J of the Guidelines.

Several of these audit checks are amenable to execution on the VLC Database through use of Computer Aided Audit Techniques (CAATs) like IDEA. Audit checks required in various substantive audit tests are listed out in the Guidelines to facilitate easy development and adoption of CAATs in such audits. The audit report module could be developed in the VLC system for automating the financial audit process itself. Computerization of the audit process either through in-house or off the shelf software would assist in better planning, execution and monitoring of Financial Attest Audit procedures and reporting. Sample audit report which can be developed in the VLC system to facilitate audit check is included as Annexure-K of the Guidelines
(*Source: Para 3.25-3.28 of the Guidelines.*)

2.3.7.10 VETTING OF NOTES TO ACCOUNTS

Notes to Accounts (NTAs) are additional information/disclosures provided in Volume-I of the Finance Accounts that help explain specific items in the statements as well as provide a more comprehensive assessment of the financial position.

It has been an established practice that AG (A&E) proposes draft NTAs and these are vetted by the Principal Auditor before their inclusion in the accounts. FINAT will vet the NTA after their receipt from the O/o the AG (A&E). Even after vetting the NTAs there may be circumstances where audit observations elaborating and accentuating NTAs may be necessary for the reasons of materiality and context. In such cases, the audit observations should bring out the impact of the NTAs on the accuracy and reliability of accounts. Such audit observations should be communicated to the AG (A&E) and State Government and considered for inclusion in the Report on the State Finances.

2.3.7.11 PREPARATION OF DRAFT AUDIT COMMENTS

Based on the results of audit, FINAT would prepare the draft audit comments on the Finance and Appropriation Accounts and send it to Finance Department for their replies with a copy to AG (A&E) and Sub- auditors.

2.3.8 DOCUMENTATION AND REPORTING

2.3.8.1 AUDIT FILES

Documentation in a FAA requires maintenance of audit file along with a set of working papers. Audit file refers to one or more folders, in physical or electronic form, containing the records that describe the audit documentation for a specific engagement. The audit file to be maintained by FINAT should include the detailed audit plan, the sample selection, nature, timing and extent of procedures performed, results of such procedure and the evidence obtained. It should also mention significant matters arising during the audit, the conclusions reached thereon and significant professional judgments made in reaching those conclusions. Audit file should also include record of discussions of significant matters with Management, Government

and others, including the nature of the significant matters discussed and when and with whom the discussions took place.

(Source: Para 4.1 to 4.3 of the Guidelines)

2.3.8.2 ASSURANCE MEMO.

Assurance Memos have been prescribed in the guidelines to seek an assurance from the Principal Auditor and AG (A&E) to the compliance of these guidelines. The Assurance Memo regarding audit of FA and AA would be prepared by FINAT. These memos would provide the assurance to the controlling ADAI/ DAI about the completeness and robustness of the process being followed while compiling and certifying the accounts by the concerned authorities. The Memo to be signed by the Principal Auditor i.e. Pr. AG (E&RSA), Gujarat, Ahmedabad is given in Annexure L1 of the Guidelines and would be supported by an Assurance Memo about compilation of Finance and Appropriation Accounts as given in Annexure L2 of the Guidelines to be signed by the Pr. AG/AG (A&E).

2.3.9 RESULTS OF AUDIT

The objectives of conducting FAA of State Government accounts are to provide an assurance on accounts to the stakeholders, improving quality of accounts, encouraging systematic improvements and enforcing financial discipline. The outcome of FAA can be in the following forms:

2.3.9.1 REVISION /CORRECTION OF ACCOUNTS

2.3.9.2 MANAGEMENT LETTER

A Management Letter would be proposed by FINAT and the same would be issued to the Principal Secretary in-charge of Finance Department (the audited entity) pointing out those audit findings which though not material enough to affect the audit opinion, need to be addressed to improve the quality of accounts after its approval by Pr. AG (E&RSA), Gujarat, Ahmadabad. While developing findings, it is important to focus on underlying causes of problems rather than simply to report the problems and their results. It should be ensured that nothing communicated to the audited entity is inconsistent with the audit opinion. Further, a copy of the Management Letter issued to the State Government should also be sent to the AG (A&E) for matters relating to compilation of accounts. A management letter can also be issued to the O/o the AG (A&E) for matters relating to compilation of accounts.

2.3.9.3 AUDIT OPINION

Audit of financial statements are 'reasonable assurance' engagements. Given the inherent limitations of an audit engagement, the auditor can only provide a 'reasonable assurance' and not an 'absolute one', the result of which is that most of the audit evidence obtained by the auditor will be persuasive rather than conclusive. The results of this audit are communicated to the external stakeholders through an audit opinion which has two components as discussed in paragraph 1.4 of this manual.

2.3.9.4 SUPERVISION AND REVIEW

The responsibility of preparing draft audit opinion including draft Audit Certificate and draft audit comments which might find a place in the Report on State Finances would be of FINAT after conclusion of audit and after considering the replies received from the State Government. The draft audit opinion would be sent to the controlling DAI / ADAI for approval of the CAG. This opinion would be supported by the Assurance Memos as discussed in preceding para 4.2 and an appreciation note about the process followed.

2.4 RESPONSIBILITIES ON VETTING OF UORS

There are 26 departments (having 108 grants) of which comments are appearing in Appropriation Accounts every year. Comments on sub-heads appear as per the PAC norms in the Appropriation Accounts. On appeared comments, the departments submit their detailed explanations in the form of UORs which are vetted in FINAT. After, vetting of UORs, finally questionnaire is prepared by FINAT on the detailed explanation which is to be discussed in the PAC.

2.5 OPINION ON OPENING OF SUB HEADS

The State Government has been empowered to discharge the function of the Union Government under article 150 of the Constitution of India related to the opening of Sub heads and Detailed Heads of Accounts under the various Major and Minor heads of account in its Accounts. Similarly, in terms of section 21 of the Comptroller and Auditor General (DPC Act 1971), the CAG of India has delegated to the State AsG the powers to tender advice to the State Government in the matter of opening of Sub head/ Detailed head in the accounts.

Further, as per D.G. (GA) instruction vide letter. TM/S-2//ONS-COR/2012-13/573 dated 29.12.2014. Pr. AG (E&RSA) required to give the opinion on the opening of new sub- head. However, final concurrence on this matter rests with O/o the AG (A&E).

2.6 CHECKING OF ACCOUNTS AT A GLANCE

Accounts at a Glance provide a broad overview of Government activities. The information is presented through brief explanation, statements and graphs. It is prepared by the O/o AG (A&E) annually and checked by FINAT.

2.7 ANY OTHER FUNCTIONS OF FINAT

FINAT will attend any other work assigned by Pr. AG (E&RSA), Gujarat in matters relating to Financial Attest Audit.

CHAPTER - 3

FINANCIAL AUDIT WING

The instructions contained in this chapter are intended primarily for the Financial Audit Wing in the O/o the Pr. AG (E&RSA) Gujarat, Ahmedabad which is responsible for the audit of those transactions of the Public Works Department which are brought to account by Divisional Officers of the Department in accordance with the directions contained in the Account Code Volume-III and the Financial Rules of the Government concerned. These instructions are supplementary to the general directions contained in Chapter-I of Section-III and Chapter I, II, III & IV of Section IV of M.S.O. (Audit), Manual of instructions for Central Audit and Financial Attest Auditing Guidelines for audit of State Government Accounts which are applicable to Works Audit unless there be something repugnant in the subject or context and except to the extent that they are modified by the instructions hereinafter prescribed.

ORGANISATION & FUNCTIONS OF PUBLIC WORKS DEPARTMENT

3.1 BRIEF HISTORY

Initially after the formation of Gujarat State in 1960, Public works Department (PWD) was functional in the state for planning, construction and maintenance of Public Works comprising all Government assets such as Buildings, Roads, Bridges, Dams, Irrigation Canals and Water & Sewerage system.

Subsequently, the Public Works Department was split into separate departments namely Buildings & Communication Department, Irrigation Department and Water Supply and Sewerage department. From January 01, 1984 the name of Buildings and Communication Department was changed to “**Roads & Buildings (R&B) Department**” and the Irrigation Department was renamed as **Narmada, Water Resources, Water Supply and Kalpsar (NWRWS&K) Department**. Each Department is headed by a Secretary to the Government and is divided into distinct branches to deal with Roads, Buildings, Irrigation and Irrigation Projects.

The **R & B Department** is in charge of all activities pertaining to planning, construction and maintenance of all categories of roads and all Government owned buildings in the State of Gujarat. These activities constitute a vital component of the developmental work in the State. At present, the R& B Department has 16 Circle Offices and 69 divisions.

The NWSWR&K Department is in charge of formulating and implementing major, medium and minor irrigation schemes, effective planning of usage of the water resources available as per the water policy of the State, increase in the underground water recharge in required areas, salinity ingress in the Gulf area and the work related to the Sujalam Sufalam Project .At present the **NWSWR&K Department** has 23 circle offices and 87 divisions.

Each Wing in these departments is headed by a Chief Engineer who is also the Special/Joint Secretary to the Government.

Each circle office in the above two departments is in charge of a Superintending Engineer. Each circle comprises a number of divisions under the charge of an

Executive Engineer. Each division consists of subdivisions which are in charge of an Assistant Executive Engineer or Deputy Executive Engineer.

The Executive Engineer (EE) heading either a regular or a special division is responsible to Superintending Engineer (SE) for execution and management of all works within his Division. EE is responsible for the correctness of the original records of cash and stores, receipts and expenditure and for the submission of complete accounts and vouchers to AG(A&E) as envisaged in the Gujarat Public Works Code.

The sub divisional officers i.e. Assistant Executive Engineer/Deputy Executive Engineer is responsible to the Executive Engineer in charge of the Division, for the management and execution of works within his sub-division. He must also prepare and render monthly accounts in respect of the sub-division to the Division every month in case he has cheque-drawing powers. Each sub-division is divided into various sections each headed by an Assistant Engineer or Junior Engineer.

3.2 ROLE OF DIVISIONAL ACCOUNTANT IN THE STATE GOVERNMENT

Divisional Accountants are posted by the office of the AG (A&E) in the divisions to assist the Divisional Officers (Executive Engineers) in the discharge of their responsibilities. Their cadre is maintained, operated and controlled by the office of the AG (A&E) to ensure the independence of the Divisional Accountants/Divisional Accounts Officers as far as their functions are concerned.

The monthly account of the receipts and disbursements of the division is compiled by the Divisional Accountant under the supervision of the Divisional Officer (Executive Engineer) and submitted to the office of the AG (A&E), which incorporates the account after certain preliminary checks in the general accounts of the State.

A Divisional Accountant working under the Divisional Officer performs three-fold functions of an Accountant, an internal checker and a financial assistant and is responsible for the correct compilation of the accounts of the Division.

As a primary auditor, he is responsible for applying certain preliminary checks to the initial accounts, vouchers, etc. He should inspect at least once a year, the accounts and records of Sub-Divisional Officers and check a percentage of the initial accounts.

3.3 AN OVERVIEW OF WORKS ACCOUNTS

The Divisional Officer i.e., the Executive Engineer of a Division is the primary disbursing officer who obtains funds required for all disbursements connected with the execution of works by cheques drawn directly on Civil Treasury or Banking Treasuries. All departmental receipts collected by him or his subordinate officers are remitted in lump sum into Government Accounts directly.

The Divisional Officer maintains the initial accounts of all transactions, the detailed accounts of works, cash and stores and the accounts of works executed by him.

Public works transactions may be grouped under the following heads:-

- i) Expenditure heads - for charges adjustable finally in Divisional accounts
- ii) Revenue Heads for revenue receipts adjusted in Divisional accounts.
- iii) Remittance Heads –PW-I Remittance, PW-II Cheques, PW-III Other Remittances

- iv) Suspense Heads-Purchase Suspense, Stores & Stock Suspense, Workshop Suspense, Miscellaneous Public Works Suspense
 - v) Deposit heads – 8443 PW Deposits (Class I to V)
- Initial records upon which the accounts of the division are based are muster rolls measurement books and work charged establishment bills.

3.4 FINANCIAL AUDIT WING IN THE OFFICE OF THE PR. AG (E & RSA), AHMEDABAD.

3.4.1 PRE-RESTRUCTURING

Before the restructuring of IA & AD Offices in Gujarat in April 2012, there were 4 Central Audit Parties (CAPs) and the functional control of these Central Audit Parties was under the Works Wing in Ahmedabad under the jurisdiction of the Office of the Accountant General (Civil Audit) Gujarat, Rajkot. The Central Audit Party was renamed as Financial Attest Audit Party (FAAP) as per the instructions received from Headquarters vide letter No DO No /Rep(S-IV) 58-2011 dated 4th May 2011.

3.4.2 RESTRUCTURING OF INDIAN AUDIT & ACCOUNTS DEPARTMENT

Consequent to the reorganization of the Audit Offices in Gujarat with effect from 02.04.2012 into three distinct offices namely (i) O/o the Pr. Accountant General (Economic & Revenue Sector Audit), Ahmedabad (ii) O/o the Accountant General (General and Social Sector Audit), Rajkot and (iii) Office of the Principal Director of Audit (Central), Ahmedabad, the Works Wing comprising Financial Audit Support Sections (FAASS), IR Headquarters Section, DP Section and 4 FAAP sections alongwith the Forest Department from the erstwhile Office of the Accountant General (Civil Audit), Rajkot was renamed as Economic Sector-II (ES-II) Wing and placed under the jurisdictional control of Pr. Accountant General (Economic & Revenue Sector Audit), Ahmedabad. The Economic Sector –II (ES-II) Wing was given the responsibility of auditing six departments including R & B Department & NWSWR&K Department except Water Supply Department. Financial Audit of the monthly accounts of R & B Department & N.W.S.W.R & K Department (except Water Supply Department) and Pay & Accounts Offices at Gandhinagar & Ahmedabad was also placed under the control of ES-II wing.

The four FAAP sections carried out the audit of the accounts, schedules, vouchers etc, received and brought to account by the office of the Accountant General (Accounts & Entitlement), Rajkot.

FAASS (erstwhile Central Audit Support Section (CASS) in ES-II Wing was the co-ordination Section for FAAP Sections and also other sections of ES-II Wing.

Revamping of ES-II Wing was carried out by the then Accountant General in April 2013 and the functions of FAASS (erstwhile CASS) was merged into IR (Headquarters) and FAAP-I sections of ES-II Wing and the number of FAAP sections was reduced from 4 to 3.

The 3 FAAP sections have since been placed under the control of Sr. Dy. Accountant General (Administration) with effect from 25th Feb 2015 and have been renamed as Financial Audit Wing (FAW) with effect from 12th May 2015 as per the instructions

in the Financial Attest Audit Guidelines for State Government Accounts issued by Headquarters office.

The Financial Audit Wing consists of three sections viz FAW-I, FAW-II & FAW-III and is supervised by one Sr. Audit Officer/Audit Officer.

3.5 FUNCTIONS OF FINANCIAL AUDIT WING

FAW –I,II&III sections are responsible for the financial audit of the transactions of the monthly accounts of the Public Works Divisions, viz. R & B Department and NWSWR&K Department except Water Supply Department which are brought to account by the respective Divisional Officers. Financial audit is supplemented by local audit of the accounts of the R & B Department & N.W.S.W.R. & K Department which is carried out by the ES-II Wing of the office.

The distribution of divisions for central audit of the monthly accounts of R & B Department and NWSWR&K Department between the three sections of FAW is as below:

	R & B DEPARTMENT	NWSWR & K DEPARTMENT	REMARKS
FAW-I	22	20	FAW-I is also the controlling section for all the FAW sections and is responsible for the functions carried out by erstwhile FAASS Section except framing of Audit Plan, tour programme of ES-II and Certification of EAPs.
FAW-II	25	33	
FAW-III	22	34	

(i) The primary function of each section of FAW is the audit of Part-I monthly accounts of the P.W. Divisions (i.e. R & B Department & N.W.S.W.R. & K Department) the detailed audit of the sampled vouchers from Part-II of the monthly accounts, furnishing the audit completion Certificate to the FAW-I (Controlling Section), issuance and pursuance of Audit Notes/Special letters of important points to the divisions with a copy to the PWA section, O/o the Accountant General(A & E), Rajkot. The FAW is also responsible for audit of sanction orders and contract agreements received from the departments.

(ii) FAW is also responsible selection of months and transmission of original vouchers of selected months to field parties of ES-II Wing. FAW should ensure that the original paid vouchers for the selected months are made available to the local audit parties of ES-II Wing for detailed on-the-spot check. As soon as the programme of local audit divisions for a particular period is finalized by ES-II and a copy of the approved Tour Programme is received in FAW, the Branch Officer should make advance selection of the month for detailed check in respect of each division and should note the month(s) selected for detailed check in the Selection Register and obtain orders of the Group Officer on approval of the selection of month(s) along with the orders for selection of works for detailed analysis. One or two Sub Divisions

should be selected for test audit. For this, the names of all the Sub Divisions in the Division and the Sub Divisions test audited during the last three years should be indicated in the Selection Register. Selection of Sub Division(s) should be so made as to complete test audit of all the Sub Divisions in a cycle of four years. FAW sections would also collect details of outstanding Factual Notes/Inspection Report paras from the respective sections of ES-II Wing and the selection file would include details of the same alongwith the details of outstanding Audit Notes and Special letters from FAW-I Section.

After approval of the Group Officer on the Selection file, FAW Sections should collect the monthly accounts (Vouchers) from PWA Sections and forward to IR (Hqrs-1)Sn/ES-II Wing for onward transmission to local audit parties of ES-II Wing. The local audit parties should after completion of audit, return the vouchers to the Assistant Audit Officer/Section Officer of IR (Hqrs) Wing /ES-II who in turn will return the same to PWA Sections.

(iii) FAW is also responsible for the maintenance of data base of all the divisions and details of High Value Contracts executed by divisions to be forwarded to the local audit parties of ES-II Wing at the time of commencement of local audit.

(iv) Each FAW Section is also responsible for maintaining press clippings from 3 leading English newspapers and 5 local newspapers related to all sectors/departments under the audit jurisdiction of O/o the Pr. AG (E & RSA) Ahmedabad.

3.5.1 ADDITIONAL FUNCTIONS OF FAW-I

- Disposal of all correspondence of a general nature i.e. correspondence pertaining to all FAW sections.
 - Circulating and distributing general orders, circulars, and corrections to Codes etc. among other sections of the FAW.
 - Undertaking correspondence relating to the destruction of accounts/ records of P.W. offices and standardization of P.W Accounts forms in consultation with Accountant General (A&E)
 - Scrutinizing corrections to CPWA code and G.P.W. Manuals.
 - Dealing with matters affecting audit procedure and issue of circulars wherever necessary.
 - Dealing with orders or cases of a general nature or involving interpretations of rules and cases referred to by other FAW sections
 - Preparing consolidated monthly/quarterly arrear reports and other returns relating to FAW for submission to Group Officer/Pr. AG
 - Maintenance of Calendar of Returns
 - Distribution of work among FAW sections
 - Consolidation and maintenance of Progress Report of Audit Notes/Special letters/Objection Book and Adjustment Register.
- Duties of members of Financial Audit Wing are placed at **Annexure-`3.1`** of this chapter.

3.6 CADRE WISE SANCTIONED STRENGTH

The cadre-wise strength for the three FAW sections is as follows:

Cadre	Sanctioned Strength		
	FAW-I	FAW-II	FAW-III
Sr. Audit Officer/ Audit Officer	1		
Asstt. Audit Officer/ Supervisor	01	01	01
Sr. Auditor/ Auditor	08	07	06
Data Entry Operator	01	01	01

(Sanctioned strength revised as per Pr. A.G's orders dated 6.7.2015)

3.7 AUDIT PROCEDURE

The financial audit of the monthly accounts should be taken up immediately on completion of each month's accounting work by the Works Accounts Compilation Sections in the Office of the Accountant General (A&E). The programme of audit and deployment of personnel for the purpose will be determined by the Senior Audit Officer/Audit Officer in charge of the FAW, in consultation with the Office of the Accountant General (A&E) Ahmadabad. The Senior Auditor/Auditors of the FAW should examine the several schedules, schedule dockets, vouchers, etc., received in support of the monthly accounts and audit them in detail in accordance with the general, as well as special instructions, prescribed in this chapter & as per the provisions of MSO (Audit), Manual of Instructions for Central Audit and Guidelines for Financial Attest Audit for State Government Accounts. The Assistant Audit Officer/Section Officer will similarly undertake the audit of the schedules and vouchers assigned to him. Audit of vouchers need not wait for completion of postings in the Works Registers by the office of the Accountant General (A & E) Ahmedabad. Instances of slippages in completion of postings should, however, be brought to the notice of the office of the Accountant General (A&E) Ahmedabad.

As far as possible, supplementary accounts of the year should be dealt with in audit in the same manner as the monthly account. It should, however, be borne in mind that there can be no cash transactions in these accounts nor any actual transactions relating to stock and that transfer transactions are permissible only to the extent indicated in Articles 199 and 236 of the Account Code, Volume-III.

(Source Para 4.2.5 & Para 4.2.6 of MSO (Audit))

3.7.1 TIME SCHEDULE FOR AUDIT

As a general rule, audit of vouchers pertaining to a month should be conducted as soon as the monthly accounts are closed and the posting of the vouchers in the registers prescribed is completed by the office of the Accountant General (Accounts & Entitlement). Any departure from this general instruction is permissible only in special circumstances and with the express sanction of the Principal Accountant General (E&RSA).

Audit of monthly accounts of the Public Work Divisions (i.e. R & B and NWSWR&K departments) should normally be completed by 10th of the third month to which the Divisional Accounts relate. As far as possible this schedule should be scrupulously adhered to. Any arrears in completion of audit should not only be reflected in the monthly arrear report, but also that expeditious action should be initiated for completion of audits and clearance of arrears under the orders of the Group Officer.

AUDIT OF MARCH ACCOUNTS

Central Audit of vouchers for the month of March requires special attention. Expenditure during this month is found to be generally heavy in relation to other months because of the tendency to incur substantial expenditure towards the close of the financial year to avoid lapse of budget grants. As a result internal controls in the departments may be slack giving rise to irregularities and deviations from prescribed procedures.

3.7.2 COMPLETION OF AUDIT

On completion of the audit and review, each section of the FAW will forward the audit completion certificate to FAW-I for record and maintenance.

The audit notes/memos and all subsequent correspondence will be dealt by individual sections of FAW in respect of the divisions under their audit after scrutiny and editing, where necessary, by the branch officer with the copies thereof also being sent to the Accountant General (A&E). The consolidated Progress Report of Audit Notes/Special letters and closing and maintenance of objection Book and Adjustment Register in respect of all sections of FAW will be maintained by FAW-I.

3.7.3 CERTIFICATE REGARDING COMPLETION OF AUDIT

In order to enable the Group Officer to keep himself posted with the facts of completion of audit and review, a report should be submitted to the Group Officer every month on 15th of second succeeding month to which the accounts relate, in a separate register, wherein the Sr.Ars/Ars./AAO/SO of each section of FAW should provide details regarding number of accounts and vouchers received and audited along with the audit completion certificate (**Annexure-‘3.2’**)

3.7.4 SAMPLING METHODOLOGY

As per the Guidelines on Financial Audit of Accounts of the State Government, the selection of samples for substantive testing of accounting inputs like vouchers, challans, classified abstracts, transfer entries, settlement accounts, clearance memorandum and different transactions forming part of the accounts will be done by the Principal Auditor adopting any statistical sampling methods.

In pursuance of this, random stratified sampling technique for audit of vouchers received with the monthly accounts of divisions is adopted in FAW with effect from the audit of monthly accounts of April 2015. Data entry of the vouchers received in the monthly accounts is done by all three sections of FAW and stratified random sampling method using IDEA package is carried out. Vouchers are selected as per the following criteria:

- Vouchers below 20 lakhs 10%

- Vouchers above 20 lakhs 100%

The above would also be subject to the condition that the total of percentage selection is equal to 10-15% of the total vouchers. In case of a situation where the total vouchers selected under different categories falls short or exceeds the total required sample as a percentage to total number of vouchers for that month, the selection of vouchers may be enhanced or reduced in order to maintain selection of 10-15% of the sample size.

In respect of Transfer entries the checking is to be done 100%.

(Source: Principal Accountant General's order dtd. 22.6.2015)

3.7.5 AUDIT CHECKS

General principles and rules of audit to be observed in regard to Audit of Expenditure are given in Chapter 2 of Section II of MSO (Audit).

The check of works transactions (i.e. audit of monthly accounts) is conducted in four stages:

- 1) Preliminary internal checks by the Divisional Accountant in the Divisional Office
- 2) Checks in the office of the Accountant General (A & E)
- 3) Central Audit in the office of the Accountant General (Audit) and
- 4) Test Audit at the periodical inspection of the Divisional Office.

Source Documents

Some important source documents to be checked in Central Audit are the following:

- Accounts with schedules and docketts
- Vouchers
- Works Register
- Sanctions to Contracts (Para 4.2.10 of MSO (Audit))
- Sanctions to fixed charges and miscellaneous sanctions and orders.(Para 4.2.11 of MSO (Audit)).

The audit of the schedules relating to several suspense and other balanced heads of accounts consists not only in applying the ordinary procedure of audit of expenditure and receipts to the month's debit and credit transactions under these heads but also in seeing (i) that the unadjusted balances under these heads are correctly carried forward separately from month to month (ii) that these balances continue to represent bonafide assets or liabilities of Government capable of being realized or settled, as the case may be(iii) that satisfactory action towards such realization or settlement is being taken by the Divisional Officers. In this audit, rules of the Account Code Volume-III and the Financial Rules of the Government relating specially to these transactions should be borne in mind.

It is an important function of audit to see during Central Audit as far as possible and during local audit that the balance relating to each individual item, work, or job is kept distinct and correct and that the balances of several items relating to each head of account make up the aggregate balance recorded under that head.

(Para 4.3.2 of MSO (Audit))

During the audit of monthly accounts and supporting documents, the FAW need not again conduct the checks exercised on those documents by the Accounts &

Entitlement Office. The important checks to be exercised by the FAW on the monthly accounts and the various documents accompanying them are indicated in Para 4.3.4 to Para 4.3.36 of the MSO (Audit).

An illustrative checklist for the Part-I of the monthly accounts and Part-II of the monthly accounts received for audit in FAW is placed at **Annexure-`3.3`** and **Annexure-`3.4`** respectively. Also guidance on audit of vouchers is at **Annexure-`3.5`**

3.8 OBJECTIONS ON PUBLIC WORKS TRANSACTIONS

The general instruction related to raising and communication, pursuance and clearance of objections and records to be maintained in Audit Offices relating to objections on Public Works transactions are prescribed in Chapter 4 of Section IV of MSO (Audit). The following subsidiary instructions should also be carefully observed.

The objectives to be achieved by communicating the objections to the departmental officers are:

- (i) to register, where necessary and in one shape or another, all irregularities in transactions as well as other points arising out of the examination of accounts and vouchers, unless these are trivial or the objection has been waived by the competent authority.
- (ii) To convey the objections at once to the Divisional Officers and thereafter to pursue them till they are regularised or explained satisfactorily; and
- (iii) to provide an opportunity to the Superintending Engineer to review, every month, objections relating to non-availability of or excess over financial sanctions as well as objections that highlight (a) serious delays in the regularization of excesses over sanctioned estimates/allotments; and (b) absence of or excesses over administrative approval in respect of large projects or works.

(Para 4.4.1 of M.SO (Audit)).

3.8.1 PREPARATION OF AUDIT NOTES

Audit Notes on the monthly accounts of a division should be prepared by FAW in two parts in Form M.S.O. (Audit)-3 given in **Annexure-`3.6`** of this Section. Part-I thereof should include:

- (i) All objections relating to non-availability of financial sanctions in cases where these are necessary in addition to the technical sanctions and to excesses over such sanctions; and
- (ii) In respect of works included in Part-I of the Works Register maintained by the Accountant General (A&E), objections relating to non-availability of sanctioned estimates/allotments; excesses over sanctioned estimates/allotments regularization of which has been delayed for over six months; and absence of or excesses over administrative approval.

The last two columns of Part-I of the Audit Notes should be left blank, the first two of these for the Divisional Officer to record his explanation/remarks, and the last column for the record, on its return, of the action taken by the Audit Office on reviewing the replies.

Part-II of the Audit Notes should include all other objections whether relating to the substance of the accounts on the score of deviations from financial rules or of standards of financial propriety; miscellaneous remarks, observations and enquiries on minor matters; or to the form of the accounts and vouchers. In the preparation of this part of the Audit Note, a distinction should be made between

(1) Remarks and observations relating to errors of omission or commission in the compilation or preliminary examination of the accounts on the part of the Divisional Accountant; and (2) points relating to the substance of the transactions brought to account.

Certain standard objections that usually highlight instances of non-availability of sanctions to special charges, overpayments and short recoveries, delays in the adjustment of debts due to Government, etc. should be included at the end of this part of the Audit Note under appropriate headings. The first entry to be made in red ink under each of these headings should indicate the total amount involved in the objections awaiting adjustment including those relating to the accounts of the month to which the Audit Note pertains, details in regard to the latter being incorporated concisely but clearly in the column provided for the purpose.

Note: Amounts involved in objections, when entered in the money columns, may be expressed to the nearest Rupee.

(Para 4.4.2 & Para 4.4.3 of M.S.O. (Audit))

3.8.2 ISSUE OF AUDIT NOTES

Audit notes would be issued and pursued by each FAW. For this purpose each FAW will prepare Audit Notes Part-I and II separately in duplicate and after the accounts are passed and signed by the Asstt. Audit Officer/Section Officer of the FAW, the same would be issued after scrutiny and editing, where necessary, by the Branch Officer to the Divisional Officer for his reply and explanation with remarks that Part-II should be returned direct and Part-I through Superintending Engineer for his comments with the copies thereof also being sent to the Accountant General (A&E). The audit notes/memos and all subsequent correspondence will be dealt by individual sections of FAW in respect of the divisions under their audit. The consolidated Progress Report of Audit Notes/Special letters and closing and maintenance of Objection Book and Adjustment Register in respect of all sections of FAW will be maintained by FAW-I

Objections of serious nature should be taken up by special letters and for this purpose self contained drafts should be sent to the concerned divisions after scrutiny by the Branch Officer.

Note: Since the accounts and vouchers will be in the custody of P.W. Accounting Section, Office of the Accountant General (A&E)) after audit, a second reference to these documents will cause inconvenience at the time of editing the Audit Notes as well as while checking the reference given by the division. Hence points raised should be self contained and with such full details as may be necessary.

3.8.3 DISPOSAL OF AUDIT NOTES

The audit note must be disposed of by each FAW without unnecessary delay. Verification of replies where necessary may also be got done during the course of

next audit. Any items needing action during Local Inspection of the division should be entered in the Register of points for next inspection (Special Point Register) maintained in the Section after obtaining Dy. Accountant General's approval.

The disposals against other items will usually be :-

- (i) Explanation accepted
- (ii) Position correct
- (iii) Received, checked and filed
- (iv) Note put up for orders
- (v) Rejoinder
- (vi) Taken up in credit note for _____ etc. according to nature of item.

All undisposed items will be taken up by means of rejoinders. After issue of two rejoinders the outstanding items shall be taken up by means of Special Letter till finally disposed off; and if there should be any avoidable or unnecessary delay in replying such references the matter should be reported to the Superintending Engineer concerned with a view to the early clearance of objection.

Note 1: Once the objections raised in Audit Notes or rejoinders are pursued through special letter the original audit note or rejoinder may be shown as closed in the progress register of Audit Note.

Note 2: When an Executive Engineer or Superintending Engineer disagrees with remarks made by this office in an audit note the matter should be dealt with promptly and by means of a special letter (a separate case file being opened for the purpose).

Note 3: No charge is to be brought or conclusion arrived before a Divisional Office has been given an opportunity to explain its point of view. No appearance of dictation to an Executive Engineer in regard to expedition of works should on any account find a place in an audit note or any other document issuing from this office. Should any action in this direction at any time appear necessary the position should be set out to the Superintending Engineer under the orders of the Dy. Accountant General.

3.8.4 REGISTER OF AUDIT NOTES

To watch the progress in the dispatch, return and disposal of the audit notes a register in Form No. S.Y.205 (amended without the portion relating to receipt of monthly accounts) shall be maintained by each FAW. The AAO of the section should review the Register once a month and submit the Register to the Branch Officer. Reminders should be issued in time and at regular intervals in case of replies overdue. A time limit of 15 days from the date of receipt may be fixed for return of audit notes with replies.

3.8.5 OBJECTION BOOK

An objection book is to be maintained by FAW-I given in Form M.S.O.(Audit)-4 **Annexure-3.7** to record objections raised through Part-II of the Audit Notes. They are to be entered separately Division wise and Major Head wise for distinct class of objections such as 'want of sanction to special charges' overpayments and short recoveries, 'delays in adjustment of debts due to Government'.

Instructions regarding maintenance of Objection Books, watch over objections, Registration and pursuance of objections are given in paras 4.4.7 to 4.4.14 of MSO (Audit).

3.8.5.1 MONTHLY AND ANNUAL CLOSING OF OBJECTION BOOK.

Instructions relating to monthly closing and annual closing of the Objection Book including review of the outstanding objections and opening of new objection book each year are given in para 4.4.20 to 4.4.22 of Manual Standing Orders (Audit) which should followed carefully.

3.8.5.2 CLEARANCE OF OBJECTIONS

On their being returned, the Audit Notes should be reviewed by the Senior Audit Officer/Audit Officer who, if necessary, will make a further reference in writing to the Superintending Engineer or the appropriate higher authority before filing them. Any sanctions or orders recorded by the Superintending Engineer or the Divisional Officer on an Audit Note should be scrutinized and any objection removed thereby should, at the same time, be adjusted, vide paragraph 4.4.19 of MSO (Audit).

3.8.6 MATERIALS RELATING TO OUTSTANDING OBJECTIONS TO BE FURNISHED TO SFR SECTION

The details of outstanding objections (Audit Notes/Special letters) may be furnished to SFR Section for inclusion in Audit Report on State Finance Government of Gujarat. For this purpose the instructions issued by the Report Section every year for such material should be carefully followed.

3.8.7 REGISTER OF IRREGULARITIES:

To facilitate the collection of material regarding common type of for Audit Report following procedure may be followed by each FAW section.

Loose leaves may be opened for each category of objection indicated below. Wherever such irregularities are noticed in Central Audit or are commented in Inspection Reports, concerned auditor should note down in the relevant loose leaves the particulars of the irregularities. These loose leaves should be filed in a guard file which will form a register. Separators may be placed in the file between the loose leaves pertaining to each category of irregularity. A separate register in this manner may be opened for each year. This register should be submitted to Branch Officer on 10th of every month and to the Dy. Accountant General/Admn on 11th of March, June, September and December every year.

Categories of objections that should be included in the Register of Irregularities:

1. Embezzlement and Frauds
2. Liberal extension to contractors
3. Commencement and continuation of work without detailed plans and estimates.
4. Rush of expenditure
5. Delay in preparing final bills
6. Excess payments due to arithmetical calculations.
7. Acceptance of tenders without public invitations

8. Wasteful/infructuous expenditure due to defective plans and designs and abandonment of works.
9. Excess payments due to non-observance of conditions of contracts, or non-provision of the requisite conditions in the contracts.
10. Excess cost to Government due to rejection of lowest tender/delay in accepting tender.
11. Cash recoveries of materials issued to piece workers not effected.
12. Unauthorised aid to contractors and postponement of recovery of materials issued to contractors (para 358 of GPW Manual Vol.I).
13. Extra items – Irregularities like non-observance of rules in sanctioning extra items etc.

RESERVE

14. Delay in recoveries of rent of residential buildings.
15. Arrears in recovery of hire charges of Tools and Plant.
16. Non recovery of lease amounts in respect of miscellaneous properties.
17. Arrears in recovery of Revenue.

MISCELLANEOUS:

18. Measurement books, non review by the Divisional Accountants.
19. Non observance of rules regarding recording measurements like payment of bills without test check of measurements to the prescribed extent (nature of irregularity and rule concerned should be indicated).
20. Irregularities like test check not conducted by the Dy. Engineers.
21. Fictitious adjustments to avoid lapse of grant and also those referred to in para 437 of G.P.W. Manual Vol.I.
22. Accounts of empty cement bags not maintained.
23. Non-verification of materials and book balances not supported by physical balances and materials.
24. Inspection of Divisional and sub Divisional office not carried out by the Superintending Engineer, Executive Engineer and Divisional Accountants (It should be specified by whom it is not conducted).
25. Delay on the part of sub divisional officers in disposal of Inspection notes.
26. Improper maintenance of material at site accounts.
27. Non-maintenance of material-at-site account.
28. Delay in preparation of Schedule of Rates.
29. Proforma accounts on the working of Motor carrier not maintained/not maintained correctly.
30. Non-maintenance/imperfect maintenance of accounts and registers – like contractors ledger tools and plant register, sanction to fixed charges, list of approved contractors, standard measurement books etc
31. Cash book and Imprest Accounts: Over writings and non-attestation of corrections, delay or omission to conduct physical verification of balances and non-issue of receipts for cash collected omission to close temporary advances accounts etc.
32. Infructuous expenditure on idle staff and machinery.
33. Non-receipt of contract documents.

CHAPTER - 4

RESIDENT AUDIT OFFICE (PAY & ACCOUNTS OFFICE)

4.1 INTRODUCTION

The Pay and Accounts office (PAO) was formed at Ahmedabad under the control of State Government on 1 May 1960 to deal with the payment to Gazetted Officers, payments on account of establishment and other contingent charges pertaining to (1) Secretariat Department (2) Governor's establishment (3) Legislature and (4) State Level Heads of the Departments located at Ahmedabad.

After shifting of the Secretariat and other State Level offices to the new capital city of Gandhinagar, another Pay and Accounts PAO was created at Gandhinagar with effect from May, 1970. Thus at present there are two PAOs at Ahmedabad and Gandhinagar for dealing with the pay and accounts work pertaining to the various departments of the Government of Gujarat.

4.1.1 FUNCTIONS OF THE PAO

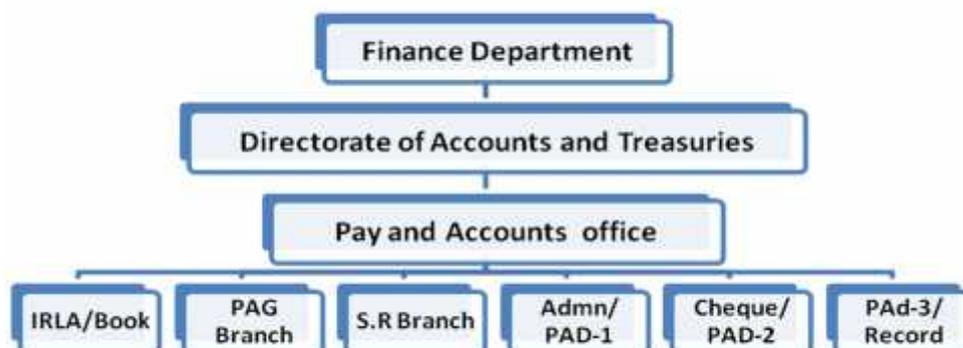
In pursuance of the general policy of the Government to divest the Audit department of the responsibility of making payments and compilation of accounts which are not germane to audit functions, the functions of pre-check and accounting of the state transactions arising in Gandhinagar and Ahmedabad were taken- over by the PAO from the Accountant General from 14 June 1965 (Gandhinagar from 1 May 1970). Thus, the PAOs at Gandhinagar and Ahmedabad are responsible for making the payments and also for the maintenance of accounts of state transactions pertaining to above mentioned four groups of offices of the State Government. The PAOs function as a Treasury in respect of payments of these four groups of offices arising in Gandhinagar and Ahmedabad. The PAOs also compile the accounts for all such payments including transactions recorded at Resident Commissioner, New Delhi and Liaison Officer, Mumbai and the compiled Accounts are rendered to the Accountant General (A&E), Gujarat. The Function and duties of the Pay and Account Office has been described in the Pay and Account Office Manual, 1965.

The main functions of the PAOs at Ahmedabad and Gandhinagar are as follows:

- (a) Payment, after cent per cent pre-audit of all contingency and pay & establishment vouchers. PAO Gandhinagar conducts pre-audit of vouchers of 156 departmental offices and PAO Ahmedabad conducts pre-audit of vouchers of 36 departmental offices.
- (b) Maintenance of detailed records of such payments as was done in Accountant General's office in accordance with the procedure prescribed by the Comptroller and Auditor General of India, in the various Codes and Manuals.
- (c) Sending monthly compiled accounts to the Accountant General (A&E) by the 10th of every month from the details furnished by the Reserve Bank and those originating in the PAO office. The PAOs also conduct reconciliation of monthly expenditure of all departments with Accountant General (A&E).

4.1.2 ORGANISATION OF THE PAO

The Finance department is the administrative Department for Directorate of Accounts and Treasuries (DAT). The Pay and Accounts Officer is in charge of the Pay and Accounts Office who provides assistance to the DAT. He is assisted by Accounts Officer Class-I and Class-II, Superintendent, Upper Division Clerks *etc.* Consistent with the distinctive functions of this office in respect of State and Central Transactions arising, the office is divided into several branches as detailed below:



INDIVIDUAL RUNNING LEDGER ACCOUNTS (IRLA):

It deals with payment of salaries and allowances of the Governor, Speaker of the Legislative Assembly of the State, Ministers and MLAs and personal claims of these authorities.

PAY AND ALLOWANCES OF GAZETTED OFFICERS (PAG) BRANCH:

It deals with pay and allowances of Gazetted officers working under the above four groups of offices.

SERVICE RECORDS (SR) BRANCH:

It deals with the maintenance of service records of officers of All India Services working under the State Government and all officers working on the post of State level Heads of Departments located at Ahmedabad and Gandhinagar, issue of salary slips, reports on the entitlement of leave *etc.*

DEPARTMENTAL AUDIT BRANCH (PAD):

It deals with pay and allowances *etc.*, of non-gazetted establishment, contingencies and payments authorised by the Accountant General, Gujarat. These branches also deal with payment and maintenance of Contingency Fund and its adjustment.

CASH & CHEQUE BRANCH:

It deals with the receipts and payments (by cheque) of bills.

ESTABLISHMENT, CONTROL AND RECORD BRANCH:

It deals with establishment matters of this office, co-ordination of various sections, orders issued by the Government, Accountant General *etc.*

4.1.3 MANUAL, RULES AND ACTS FOLLOWED BY PAO

For sanction audit and pre audit of contingent payments, the PAOs adhere to the following Manual/ Rules:

1. The Bombay Pay and Account Office Manual, 1965
2. The Gujarat Civil Services Rules, 2002
3. The Gujarat Civil Services Rules, 2005
4. The Gujarat Civil Services Rules, 2006
5. The Financial Power (Delegation) Rules, 1998
6. Mumbai Contingency Expenditure Rules, 1959
7. Gujarat Treasury Rules, 2000
8. The Gujarat Civil Service (Revision of Pay) Rules, 2009
9. The Gujarat Financial Rules, 1971

4.2. ORGANISATION AND FUNCTIONS OF THE RESIDENT AUDIT OFFICE

4.2.1 PRE-RESTRUCTURING

The accounts and all contingent vouchers of the Pay and Accountant Offices located at Gandhinagar and Ahmedabad are subject to audit by the Comptroller and Auditor General of India (CAG).

The functional control of Resident Audit Offices was under Works wings, Ahmedabad under the jurisdiction of the Office of the Accountant General (Civil Audit), Rajkot. The expenditure audit of the Departments and the field offices of the State Government were conducted by the Office of the Accountant General (Civil Audit), Rajkot.

4.2.2 RESTRUCTURING OF INDIAN AUDIT & ACCOUNTS DEPARTMENT

As a part of Restructuring of Indian Audit & Accounts Department, with effect from 2 April 2012 the Works wing was renamed as Economic Sector-II (ES-II) Wing and placed under the jurisdictional control of Accountant General (Economic and Revenue Sector Audit). The ES-II wing was given the responsibility of auditing six departments. Central Audit of Monthly Accounts of Public Works Department *viz.*, Roads and Buildings Department and Water Resources Department and Pay and Account Offices, Gandhinagar and Ahmedabad were also placed under the control of ES-II wing.

The functions of Central Audit of monthly accounts of Public Works Departments and Resident Audit Offices of Pay & Accounts Offices located at Gandhinagar and Ahmedabad were placed under the control of Dy. Accountant General (Administration) with effect from 25 February 2015.

(Authority: Office Order No. Admn (Au)/BL 180 dated 25-02-2015).

4.2.3 CADRE WISE SANCTIONED STRENGTH

The Sanctioned Strength of Sr. Audit Officer/ Audit Office, Assistant Audit Officer/ supervisor, Sr. Auditor/ Auditor, Data Entry Operator and MTS for Resident Audit Offices, Gandhinagar and Ahmedabad as on is as follows.

CADRE	SANCTIONED STRENGTH	
	GANDHINAGAR	AHMEDABAD
Sr. Audit Officer/ Audit Officer	1	
Asstt. Audit Officer/ Supervisor	1	1
Sr. Auditor/ Auditor	5	3
Data Entry Operator	1	1

(Sanction strength revised in May 2015)

4.2.4 FUNCTIONS OF THE RESIDENT AUDIT OFFICE

The functions of the Resident Audit Offices of PAOs Gandhinagar and Ahmedabad are as follows:

1. Post audit of contingent vouchers/bills, pay and establishment bills, Travelling Allowances bills, Medical Bills and LTC etc., relating to Gazetted Officers and non-Gazetted Officers/officials passed and paid by the Pay & Accounts Offices.
2. Audit of sanctions received from the Departments and offices located in Gandhinagar and Ahmadabad, of which payments/ transactions do not route through treasury and payments for which are routed through Pay and Accounts Offices.
3. Audit and countersignature of Monthly Compiled Accounts submitted by the Pay & Accounts Offices every month before it is submitted to the Accountant General (A&E) by the 10th of each month.
4. Review of contract register for agreements made for purchases above ₹ 50,000 maintained in manuscript by the Pay & Accounts offices.
5. Review of register of Utilisation certificates submitted in respect of all grants-in-aid paid by the Pay and Accounts offices.
6. Post audit of expenditure relating to Governor office, Liaison offices at New Delhi and Mumbai for Gujarat Bhavan, and expenses of MLAs such as TA Bills, Medical Bill and Pay bills *etc.*

4.2.5 BROAD OBJECTIVES OF AUDIT

The broad objectives of post audit of vouchers conducted by the RAO are to ensure legality, regularity, economy, efficiency and effectiveness of financial management and public administration. RAO seeks to check whether:

- (1) Funds have been authorized by the competent authority prescribing the limits within which expenditure can be incurred;
- (2) Either a special or general sanction of the Competent Authority authorizing the expenditure is available;
- (3) All financial transactions have been correctly recorded in the accounts under examination and have been allocated to the appropriate Heads of Accounts;
- (4) The monthly compiled accounts are properly prepared, are complete in all respects and are presented with adequate disclosures; and
- (5) Whether the provisions of the Constitution, the applicable laws, rules and regulations made there under and various orders and instructions issued by competent authority are being complied with;

4.2.6 SAMPLE SIZE FOR SELECTION OF VOUCHERS FOR AUDIT

Prescribing and planning materiality level in the form of monetary thresholds and other criteria for selection of sample vouchers, sample account areas and sample transactions for substantive testing is one of the major audit planning activities. The selection of samples for substantive testing of accounting inputs like vouchers, challans, classified abstracts, consolidated abstracts, transfer entries, settlement accounts, clearance memorandum and different transactions forming part of the accounts will be done by Principal Auditor adopting any appropriate statistical sampling methods. Similar activities are required to be done by Sub- Auditors in their respective audit jurisdictions.

(Source: Paragraph 2.16 and Annexure D of FINAT Guidelines)

Resident Audit Offices receives vouchers relating to the contingent expenditure, Pay bills, TA Bills, Medical Bills, Abstract Contingent bills and Detailed Contingent Bills for audit. The sample size for selection of vouchers for detailed audit approved by the Principal Accountant General vides Note orders dated 15 May 2015 is as under:

Sr. No.	Particulars of Vouchers	Voucher having payment of ` 50 lakh and above	Voucher having payment of ` 1 lakh and to ` 50 lakh	Voucher having payment less than ` 1 lakh
1	Contingent	100%	50%	10%
2	AD/DC bill	100%	50%	10%
3	Medical bill	NA	100%	20%
4	TA Bill	NA	NA	50%
5	Pay Bill	100%	50%	10%

4.2.7 AUDIT CHECKS

The broad audit checks to be followed while conducting audit of sanctions, various kinds of vouchers and monthly compiled accounts by the RAO are discussed below. A list of audit checks to be conducted is placed as annexure to the chapter.

4.2.7.1 EXAMINATION OF SANCTIONS

RAO would carry out audit of sanctions received from respective department/ office with the objective of identifying deficiencies that may affect the accuracy and reliability of Finance Accounts and Appropriation Accounts. The following points should specifically be looked into by the RAO while auditing sanctions and the results of such audit communicated to PAO:

- Whether the classification of heads of account indicated in the sanction is as provided in the Demands for Grants/ Supplementary Demands.
- Whether the sanction issued complies with the provisions of Government Accounting Rules with regard to classification into Revenue and Capital expenditure.
- Whether the sanction order correctly classifies the sanctioned expenditure into Voted/ Charged categories where required.
- Whether the sanction is for drawal of budgeted funds merely to avoid lapse of budget provision and if so, pursue the matter for appropriate comments.
- Whether the sanctions are issued by the competent authority and where required with the approval of Finance Department /Council of Ministers.
- Whether timelines are prescribed for submission of utilization certificates (*e.g.* in case of GIA sanction) or repayment schedules for loans and advances.
- Whether write-off sanctions are issued after following prescribed procedures.

4.2.7.2 AUDIT OF CONTINGENT VOUCHERS

The RAO would select the sample transactions (as per sample size discussed above) to be checked in detail. The audit checks to be followed for audit of Contingent vouchers, Advance payments, AC & DC Bills and Medical/TA & Pay Bills are given in **Annexure I to IV**.

4.2.7.3 DOCUMENTATION OF WORKING PAPERS

Documentation in RAOs requires maintenance of audit file along with the set of working papers. Audit file refers to one or more folders, in physical or electronic form, containing the records that describe the audit documentation for a specific engagement. The audit file to be maintained by the Auditor should include the detailed audit plan, the sample selection, nature, extent of procedures performed, results of such procedures and the evidence obtained. It should also mention significant matters arising during the audit, the conclusions reached thereon and significant professional judgments made in reaching those conclusions.

Audit file should be properly indexed, referenced and supplemented by the set of working papers. In case of multiple audit files, a master index of the files may be maintained in addition to the index of each audit file. The auditor should complete the administrative process of finishing the audit file on a timely basis.

(Source: refer paragraph 4.1 to 4.3 of FINAT Guidelines)

4.2.7.4 AUDIT OF COMPILED MONTHLY ACCOUNTS

The PAO submits Compiled Monthly Accounts supported by schedules/ vouchers of (i) postal Life Insurance, (ii) State Insurance Fund, (iii) Provident Fund, (iv) Security Deposits of employees of the four groups of offices and (v) items adjustable by Accountant General, Gujarat or any Accounts Officers for the countersignature of the RAO before submitting to the Accountant General (A&E). After submitting the monthly account, one copy is submitted to the RAO. The monthly accounts are to be checked with reference to the broad sheet and relevant schedules. The related checklist for audit of monthly account is given in **Annexure 4.5**. The Important provisions, rules *etc.*, which provide a reference point for Audit are given in **Annexure 4.6**.

4.2.7.5 MONTHLY RECONCILIATION OF ACCOUNTS BY DEPARTMENTAL OFFICER

Reconciliation of account figures with the departmental book will, in first instance, be done by Departmental Officers with the PAO and then supplemented, where necessary for reconciliation in the Accountant General's office so far as the transactions of four groups are concerned. The RAO has to watch the progress of reconciliation done by the PAO with Accountant General's office and if any arrears in reconciliation, the same has to be communicated to the PAO for necessary action.

4.2.8 RESULTS OF VOUCHER AUDIT

Any audit findings noticed during detailed scrutiny of vouchers are to be communicated to the PAO for compliance and rectification of errors/ mistakes. The RAO has to document all checks by gathering/ collecting copies of vouchers, sanctions etc and maintained it in a separate file. The correspondence has to be watched at RAO level and observations have to be forwarded to the Audit parties of PAG (E&RSA) and AG (General & Social Sector) offices for detailed audit.

4.2.9 OBJECTION BOOK AND ADJUSTMENT REGISTER

The RAO has to maintain Objection book and Adjustment book for objections relating to contingent vouchers and AC & DC Bills separately. The audit findings issued to the PAO are to be entered into the objection Books and based on compliance of the PAO, necessary entry has to be adjusted in the OB and adjustment register. Before 5th of every month, the closing of the OBs has to be submitted to the Dy. Accountant General (RSA and FAW) for perusal.

4.2.10 OTHER FUNCTION OF THE RAO

Apart from the above functions, the RAO has to submit the various returns by the due dates to the respective groups.

Following returns are to be submitted before 5th of every month

1. Calendar of Returns to Quality Assurance Section through Group Officer
2. Arrear Report to Quality Assurance Section through Group Officer
3. Men in position to Administration Section

4. Audit Certificate to Administration Section

5 Closing of Attendance Register to Resident Audit Officer

Following returns are to be submitted quarterly before 5th of April, July, October and January:

1. Quarterly Hindi report to Hindi Section

2. Position of civil suits filed to the Administration Section.

The returns/ information relating to the cases of misappropriation, write off, losses *etc.*, for Report on State Finances, to the State Finance Report Section is to be submitted before 5th of July every year. The closing of inward registers and outward register has to be submitted weekly to the Resident Audit Officer.

The submission of the above returns within due dates has to be observed by the RAO.

4.2.11. ALLOCATION OF DUTIES

4.2.11.1 SR. AUDITORS/AUDITORS

The duties of Sr. Auditors/ Auditors defined are as under:

- The Sr. Auditors and Auditors have to carry out works of post audit of vouchers as per sample decided with the respective checklist and document it properly.
- Checking of schedules and vouchers with the monthly accounts submitted by the PAO with the prescribed checklist and document it properly.
- The sanction orders required to be checked in detail by applying detailed checks as prescribed in the checklist, MSO (Audit) and Financial Attest Audit Guidelines and required to be documented properly. Necessary entries of sanctions checked are to be maintained Department wise separately.
- Audit observations are to be prepared by each Sr. Auditors/ Auditors and submit it to the Sectional head for approval.
- After issue of audit objection to PAO, necessary entry with money value has to be entered in the objection books (including AC/DC OB) and watch the clearance of the audit objection by applying adjustment by settlement or recovery as case may be. Compliance of the pending objection was to be watched by submitting reminders to the RAO on monthly basis.
- Letters received from the office of the State Government and Central Government/ Departments and from the Headquarter office require to be promptly attended for suitable disposal.
- The senior most Sr. Auditor in the RAO has to prepare all returns before due dates and submit it to the Asstt. Audit Officer/RAO for onward transmission to the respective Sections as mentioned in the Calendar of Return. The Monthly Arrear Report and Calendar of Returns has to be submitted before 5th of every month to the Quality Assurance Section through Sr. Dy. Accountant General/Admn.

4.2.11.2 ASSTT. AUDIT OFFICER

Asstt. Audit Officer is the sectional head of RAO and he has to review work done by the Sr. Auditors/ Auditors. The audit conducted by the Sr. Auditors/ Auditors as per

prescribed samples and checklist has to be reviewed and submitted to the RAO for approval. He should ensure that audit has been carried out in conformity with the prescribed parameters drawn in the Checklist, MSO (Audit) and FINAT guidelines. Before submission of monthly Account for countersignature of RAO, he should carry out necessary checks as enumerated in the Bombay Pay & Accounts Manual 1965 and checklist prescribed by the office. He should review all pending audit objections at regular interval (say fortnightly/ monthly) and necessary pursuance should made with PAO by regular meetings and through issuing reminder letters. He should prepare list of quarterly outstanding audit objection statement and issue to Director, Directorate of Accounts and Treasuries, Gandhinagar/ Ahmedabad for necessary action. He should ensure timely submission of all returns and provide guidance to all Sr. Auditor/ Auditor where ever necessary.

4.2.11.3 RESIDENT AUDIT OFFICER

The RAO is the supervisory officer who has to review all the sectional works and provide necessary guidance to the official of the RAO section. He should also review audit work being submitted by the AAO and accord approval to the audit observation, if found fit. He should also conduct regular meetings and follow up of Audit observations and also ensure timely submission of the returns.

CHAPTER - 5

STATE FINANCE REPORT SECTION

5.1 INTRODUCTION

Prior to restructuring of audit offices in Gujarat w.e.f. 02.04.2012, the branch office of DAG (Works) at Ahmedabad under erstwhile office of AG (Civil Audit), Rajkot was responsible for the preparation of CAG's Report on State Finances, Government of Gujarat.

After restructuring of audit offices in Gujarat with effect from 02.04.2012, initially office of the AG (G&SSA), Rajkot was designated to prepare the State Finance Report. However, Headquarters office, vide Letter No. 130-SMU/PP/Reorganisation/5-2011 dated 30.03.2012, directed that Pr. AG or AG (Audit)-I should prepare the CAG's annual report on State Finances (SFR) under the specific charge of a Senior Group Officer. Accordingly, the said work was assigned to the office of Pr. AG (E&RSA), Ahmedabad.

As per Pr. AG's orders dated 02-05-2012, the Audit Report (AR) section of the erstwhile Works wing was re-designated as the State Finance Report section. Sr.DAG/DAG (Administration) was assigned the charge of preparation of SFR.

5.2 SANCTIONED STRENGTH

At the time of creation of the section w.e.f. 02.05.2012, the sanctioned strength of 1 SAO/AO, 1 AAO/Supervisor, 2 Sr. Ar/Ar was derived from the erstwhile AR section of the Works wing at Ahmedabad. Subsequently, in July 2015, the sanctioned strength of Sr. Ar/Ar cadre in SFR Section was revised to 3 while sanctioned strength of 1 CT/DEO was allocated to the section. Thus, at present the sanctioned strength of section comprises 1 SAO/AO, 1 AAO/Supervisor, 3 Sr. Ar/Ar and 1 CT/DEO.

5.3 FUNCTIONS

The main functions of the SFR section are:

- Preparation of CAG's Report on State Finances, Government of Gujarat and obtaining its approval from Headquarters office.
- Inclusion of new paragraphs as per new template prescribed by the Headquarters office from time to time.
- Consolidation of data from the offices of AG (G&SSA) Gujarat, AG(A&E) Gujarat and audit groups of office of Pr. AG(E&RSA) Gujarat for presentation before a new Finance Commission whenever constituted.
- Monitoring the task of translation of State Finance Report in Gujarati language and printing of reports in English and Gujarati versions in co-ordination with Central Audit Report section.
- Performing the work relating to providing the copies of Audit Report on State Finances to the Finance Department (FD) for its presentation in the State Legislature.

5.4 PREPARATION OF THE REPORT ON STATE FINANCES

Mandate

The Report on the State Finances is prepared for submission to the Governor of Gujarat under Article 151 of the Constitution which stipulates that the Comptroller and Auditor General of India is required to prepare and submit Reports on the accounts of the Central/State Government to the President/Governor, who is required to cause them to be laid before the Parliament/Legislature. The Report is to be treated as a confidential document till it is presented to the Legislature.

5.4.1 CONTENTS OF THE REPORT:

The Report on State Finances consists of the following three Chapters:

CHAPTER-I: Chapter -1 “*Finances of the State Government*” is based on the Finance Accounts and makes an assessment of the Government’s fiscal position of concerned financial year. It contains audit observations on matters arising from examination of the Finance Accounts of the State Government. It also provides an insight into trends of different components of government’s receipts, expenditure and borrowings pattern. This chapter inter-alia contains the following important topics:

- i. Summary of current year’s fiscal transactions
- ii. Resources of the state
- iii. Revenue receipts
- iv. Application of resources
- v. Quality of expenditure
- vi. Analysis of Government expenditure and investment
- vii. Assets and liabilities
- viii. Debt sustainability
- ix. Fiscal imbalances

CHAPTER-II : Chapter II “*Financial Management and Budgetary Control*” is based on the Appropriation Accounts and it gives grant-wise description of appropriations and the manner in which the allocated resources were managed by the service delivery departments. It also includes detailed audit of two selected grants. These grants are selected on the basis of higher capital expenditure and savings under these grants. Chapter-II usually contains the following important topics:

- i. Summary of Appropriation Accounts
- ii. Financial Accountability and Budget Management
- iii. Non reconciliation of departmental figures
- iv. Advances from Contingency Fund
- v. Review of Selected grants
- vi. Outcome of Inspection of Treasuries

CHAPTER-III : Chapter III on “*Financial Reporting*” is an inventory of Government’s compliance with various reporting requirements and financial rules. It includes the audit comments regarding outcome of audit of delay in furnishing Utilisation Certificates in selected departments selected on the basis of outstanding amount and number of Utilisation Certificates; results of audit of functioning of PD/PLA accounts; non-receipt of information pertaining to bodies/authorities substantially financed by the Government; non-submission/delay in submission of

Accounts by Autonomous Bodies/Authorities; failure to account for amount drawn on Abstract Contingent Bills, cases of misappropriations, losses, defalcations etc. Chapter-III of the SFR usually contains the following important topics.

- i. Delay in furnishing Utilisation Certificates
- ii. Delay in submission of accounts/audit reports of autonomous bodies covered under Section 14, 19 and 20 of the C&AG's DPC Act, 1971.
- iii. Departmental Commercial undertakings.
- iv. Failure to account for amount drawn on Abstract Contingent Bills.
- v. Misappropriation/losses and defalcations

5.4.2 SOURCES FOR PREPARATION OF THE REPORT:

The main sources for preparation of the Report on State Finances include Finance and Appropriation Accounts of the State Government, subsidiary accounts, findings from inspection of treasuries by O/o AG (A&E), outcome of audit of selected grants, audit of Utilisation Certificates in selected departments, result of audit of functioning of PD/ PLA accounts, data regarding irregularity in drawal and submission of AC and DC Bills and other data provided by the Finance department and other departments of the State Government.

Further, the analysis of inputs received from desk audit and local audit of selected vouchers, treasury inspections reports and monthly accounts to ascertain their impact on the financial statements carried out by FINAT or the results of audit of accounting areas where major deficiencies, weaknesses or inaccuracies were noticed by FINAT, are also to be reported in the Report on State Finances, if considered significant.

The unsettled cases of errors and omissions noticed during audit of Report on Monthly Expenditure (Monthly Appropriation Accounts)/ monthly civil accounts which may have impact on accuracy or completeness of Finance Accounts and Appropriation Accounts are also to be considered for inclusion as comments in the Report on State Finances.

The results of FAA in form of audit comments are presented in the Report on State Finances. Significant irregularities noticed during audit of Finance Accounts and Appropriation Accounts are presented as audit findings along with an analysis of underlying causes and their impact. The audit findings could relate to financial management weaknesses, internal control deficiencies or inappropriate accounting treatments etc. noticed during the audit checks performed.

(Source: Para 3.17 of Financial Attest Audit Guidelines)

5.4.3 MAJOR ASPECTS TO BE EXAMINED WHILE FINALIZING REPORT ON STATE FINANCES

A. The major areas of audit examination in respect of FA and AA which may be incorporated in the Report on State Finances are:

FINANCE ACCOUNTS

Opaqueness in Accounts –

- Public funds lying outside Government accounts, Operations of personal deposits accounts, moneys in commercial savings banks and cooperative schemes

- Funds lying outside the Consolidated Fund- non transfer of unutilized funds from personal deposit /treasury savings bank accounts at the end of the financial year.
- Continued adverse balance and static balances over a period of time
- Non transfer of funds collected to appropriate Reserve Funds and its non-investments
- Integrity and reconciliation issues, wrong classifications-pendency of detailed contingent bills and Utilization certificates
- Conversion of State Government Loans into Equity and writing off of Loans made by the State Government

APPROPRIATION ACCOUNTS

- Expenditure incurred without budget provision
- Failure to obtain legislative approval for augmenting provisions
- Incorrect classification – voted & charged, revenue & capital
- Other misclassifications
- Deficient sanction orders
- Sanction of additional funds by executive orders
- Inappropriate advances from contingency funds
- Non furnishing or incorrect utilisation certificates

(Source: Para 4.15 - 4.17 of Financial Attest Audit Guidelines)

B. Other important aspects to be examined for their possible inclusion in Report on State Finances as under:

- i. Overall assessment on the achievement of the state regarding optimizing of finance commission grants
- ii. Test check to analyse the extent of projects under Public Private Partnership (PPP) to expand the resources availability of the state
- iii. Information and analysis of release and utilisation of grants released under the recommendations of subsequent finance commissions.
- iv. Analysis of reasons for abnormal reduction in Revenue Deficit/Fiscal Deficit to see if any unacceptable accounting adjustments were carried out by the State Government for projecting better financial position.
- v. Comments on sectors as well as Major Heads in which increase in revenue expenditure is perceptible. Reasons for low capital expenditure also need to be examined for comments.
- vi. Analysis of reasons for low recovery of loans and advances given by the State Government.
- vii. Examination of cases of realization of receipts from certain departmental undertakings resulting in reducing the revenue deficit of the state.
- viii. Analysis of funds raised by State PSUs by way of loans/Bonds for their own activities which are utilized by the State Government to meet their ways and means requirement. Such cases need to be seen thoroughly and suitably commented.
- ix. Examination of cases where the State Government has resorted to the practice of withdrawing investments from the State PSUs and subsequently recycling them to the same organization in the form of subsidies/fresh investment.

- x. Examination of all cases of “Nil” bill draws which camouflage the nature and extent of expenditure as per existing instructions.
- xi. “Minus balance” under certain heads in Finance Accounts are perpetually shown to be under investigation etc. The matter should be vigorously pursued with the Accountant General (A & E). The result of such investigation carried out should be reflected in the Audit Report.

(Source: Hqrs Letter No.1216/Rep(States)/Co-ord/SAR-State Finances/2009-329 dated 4.9.2009 & Hqrs. Letter No.457-Rep(S)/110-99 dated May 14-2007)

5.5 PRINTING AND SUBMISSION OF REPORT

The following points are to be ensured before printing of the Report:

- All the facts and figures as well as modifications/changes may be thoroughly rechecked. It may also be ensured that there is no discrepancy of any kind between the Executive Summary and the text and that the facts, statements and tables are mutually consistent.
- The Report should be consistent with the style guide (Second Edition) prescribed by the Headquarters office.
- Any modifications made in the approved Bond Copy based on updation of facts and figures etc. may also be got approved from Headquarters.
- Headquarters office is to be kept informed of the progress of the printing of the Report. A certificate to the effect that the printed Reports corresponds, in all respects, to the approved version of the Bond Copy may also be furnished while submitting the printed Report on State Finances for C&AG’s countersignature. Besides, a certificate to the effect that sufficient numbers of copies of the printed Audit Report are available with this office for presentation to the Legislature may also be furnished.
- While sending the printed Audit Report on State Finances, three sets of CDs containing the exact version of the printed version in English as well as in Gujarati may also be sent for web-site use.
- Translation work should be started immediately after the Bond copy is submitted to CAG or even earlier and should be completed in three weeks. Changes made while approving the Bond copy may also be carried out subsequently in the translated Report.
- As per extant instructions of the Headquarters, field audit offices are required to take necessary steps for printing of the audit reports within 30 days of the approval of Bond Copy by the C&AG.
- At present 925 copies of English version and 750 copies of Gujarat version are printed every year. After printing, six printed copies each of English and Gujarati version are sent to Headquarters office for counter signature of C&AG. 600 copies each of English and Gujarat are sent to Governor for presentation to Legislature with the instructions to keep it confidential till its placement.
- All efforts should be made to complete the printing of the Audit Reports and forward the signed Audit Reports to the State Government as early as possible. It should be impressed upon the State Government that the Audit Reports should be

tabled in the Budget session. In case it is not possible to forward the Audit Reports to the Government during the Budget session, Government may be requested to arrange placement of the Reports in the Legislature in the next session.

ANNEXURE –3.1

(Referred to in paragraph 3.5.1)

DUTIES AND RESPONSIBILITIES OF MEMBERS OF FAW

The duties and responsibilities of members of the FAW are broadly indicated below. The Pr. Accountant General (E&RSA) may, however, entrust any other item of work to any member of the section or party or authorize the Group Officer, the Audit Officer in charge of the FAW or the Assistant Audit Officer in charge of the FAW to make such changes as may be necessary from time to time in the distribution of work having regard to the availability of personnel and their expertise and suitability. Such changes should be ordered in writing so as to ensure the clear demarcation of duties and responsibilities of different personnel and their accountability as well as to facilitate evaluation of their performance and personal contribution. Each member of the FAW, including the Assistant Audit Officer, will be individually responsible for the duties entrusted to him. Normally, Auditors should be able to finalise audit memos on their own; however, they may seek the guidance of the Assistant Audit Officer on important or doubtful questions.

Note: The Assistant Audit Officer should determine the extent of independence to be allowed to each member of the party with reference to his experience, qualities and capacity to act independently. Final audit memos will be sent to the Branch Officer for approval only after the Assistant Audit Officer has vetted them.

(a) SR.AUDIT OFFICERS/AUDIT OFFICERS

- (i) Co-ordination and general supervision.
- (ii) Audit of contract agreements
- (iii) Review of pro-rata distribution of Establishment and Tools and Plant charges.
- (iv) Scrutiny of material processed by the Assistant Audit Officer for the Audit Report and its submission to the Group Officer..

(b) ASSISTANT AUDIT OFFICERS/SECTION OFFICERS/SUPERVISORS

- (i) Audit of all sanctions to expenditure.
- (ii) Disposal of references seeking clarifications and allied correspondence.
- (iii) Review of files containing objection memos issued to departmental officers.
- (iv) Processing of material for Audit Report
- (v) Check of consolidation of statistics.
- (vi) General check of Objection Book and closing thereof.
- (vii) Audit of sampled vouchers & also review of vouchers audited by Sr.Auditor/Auditor.

(c) SENIOR AUDITORS/AUDITORS

- (i) Data entry of the vouchers received in the monthly accounts.
- (ii) Audit of schedule of revenue realized/refunds of revenue.
- (iii) Audit of schedule of works expenditure.
- (iv) Audit of schedule of purchases.
- (v) Audit of stock account and reserve limit of stock.

- (vi) Audit of schedule of deposits.
- (vii) Audit of schedule of deposit works.
- (viii) Audit of the account of receipt/issue of tools and plant.
- (ix) Audit of schedule of cash settlement suspense.
- (x) Audit of schedule of remittances.
- (xi) Audit of contractors ledger.
- (xii) Audit of schedule dockets including those for percentage recoveries.
- (xiii) Audit of vouchers as per the sampling received.
- (xiv) Audit of bills of suppliers, bills in respect through DGS&D and railway credit notes. of purchases
- (xv) Audit of hand receipts.
- (xvi) Audit of completion reports
- (xvii) Audit of land acquisition vouchers.
- (xviii) Audit of transfer entries.
- (xix) Recording of pass order on Monthly Account
- (xx) Audit of other miscellaneous vouchers not specifically listed..
- (xxi) Any other routine work or other work entrusted by Assistant Audit Officer.

ANNEXURE-3.2

(Referred to in paragraph 3.7.3)

(A) CERTIFICATE TO BE RECORDED BY THE Sr. AUDITOR/AUDITOR

- 1) Certified that audit of all the monthly accounts as per the sample size provided to me have been audited in accordance with the rules andAudit Notes (AN) issued
- 2) The objections with monetary value have been registered in the Objection Book and the balances totalled and progressive totals brought up-to-date.
- 3) All wanting schedules have been noted in the Register prescribed and necessary action to call for them has been taken

(B) CERTIFICATE TO BE GIVEN BY THE AAO/SUPERVISOR

- 1) Certified that audit of all the accounts allocated to my section have been completed as per the sample size and review of audit carried out by Sr.Auditors/Auditors has been completed in accordance with the rules
- 2) Certified that I have checked classification of all vouchers
- 3) Certified that no cases of expenditure on New Service not contemplated in the annual budget were noticed during the audit.

ANNEXURE-3.3

CHECK LIST FOR PART-I OF THE MONTHLY ACCOUNTS

(Referred to in paragraph 3.7.5.)

<i>The Checklists mentioned below are not intended to be exhaustive: any other items of check not specifically mentioned but required to be checked under the provisions of MSO (Audit), MICA, CPWD Code and Financial Attest Audit Guidelines for State Govt are also to be followed during central audit.</i>	
1-Schedule of Revenue Realised (Form 46) (This schedule gives the details of receipts realised under particular major head)	
Checks to be exercised	Scrutiny
Verify whether the figures shown as receipts in Form 46 i) Have been correctly classified ii) The total of receipts have been correctly taken to Form 80 iii) The receipts are supported by entries of cash book/DR/TR receipt no. or schedule docket no. for recoveries from works.	
2-Schedule of Works Expenditure (Form 64) - (This schedule gives the details of expenditure incurred during the month, estimate amount of each work, agreement number and year for each work.)	
Verify whether the amount of sanctioned estimate/allotment is given in the schedule in cases where expenditure appears for the first time;	
Verify whether the total of this schedule (under column 5) has been correctly taken to classified abstract (Form 74) under the respective Head of Account.	
Verify whether the progressive expenditure does not exceed the amount of the sanctioned estimate	
Verify whether any expenditure has been incurred without sanction or in excess of sanction.	
Verify whether the schedule of works expenditure (Form 64) is enclosed for each Head of Account separately?	
Verify whether in case of an expenditure incurred for a maintenance work, the estimate sanctioned is of the current year.	
3- Schedule of Deposit Works (Form 65)	
Whether Cash receipts under deposit shown in the Schedule of Deposit Works have been verified with the “Memo of Miscellaneous Cash Receipts Paid into treasuries” shown in the Monthly Account (Form 80).	
Whether excess expenditure is charged to MPWA and relevant entries	

made in the Schedule of MPWA?	
Whether particulars of all unaffected deposit works are shown in Part II of the Schedule?	
When the works are shown as completed, whether action is taken to refund the excess deposit or realise the excess expenditure?	
Whether the entries in deposit register is complete in all respects including reference to agreements of security deposits.	
4- Schedule of Deposit Register(Form 79)	
Verify whether debits / credits are compared with concerned schedule vouchers and memos of cash receipts?	
Verify whether debits are adjusted to the extent of corresponding credits and there is any minus balance?	
Verify whether the certificate at the front of the Schedule has been recorded correctly in respect of items converted into any form of interest bearing securities?	
Verify whether necessary details are given in the Schedule of works in respect of deposits for work to be done	
Verify whether lapsed deposits have been credited to Government account when the schedule for March A/c is checked?	
Whether the totalling in the deposit register is correctly arrived at and in consonance with the abstract.	
Whether particulars of all unaffected deposit works are shown in Part II of the Schedule?	
5- Schedule of debits/credits to Remittances (Form 77)	
Whether the total in the schedules are supported by necessary details in the schedule of monthly settlement with Treasuries and that figures agree with corresponding figures in Form-51(line 2)	
6- Schedule of settlement with Treasuries (Form-51)	
Whether the schedule has been received in original	
Whether the difference in line 5 in respect of each treasury is supported by necessary details Whether difference as per <i>line 5</i> agrees with details of difference under both parts?	
Whether at the close of the year i.e. in the month of March there is ordinarily no difference except on account of cheques issued upto 31 st March but not encashed by that date.	

7- Schedule of Debit to Stock (SDT)	
Verify whether items in Part II agree with relevant items in SDTs, consolidated contingent bill etc. and remaining issue traced from several accounts as indicated in part I?	
Whether closing balances exceed the sanctioned limit of stock?	
8-Schedule of Miscellaneous Public Work Advances (Form 70)	
Verify whether the schedule has been submitted in revised form which should also provide additional column for indicating the month of account in which the transaction last appeared.	
Verify whether any major items are pending in MPWA (5 lacs and above) and if so whether any details have been furnished.	
Verify whether the schedule for September and March Accounts is accompanied by list of items outstanding under this head for more than six months.	
Verify whether a special check is exercised in respect of items indicating a disregard of any financial rule or losses, retrenchment orders awaiting adjustment?	

ANNEXURE-3.4

CHECKLIST FOR PART-II OF THE MONTHLY ACCOUNTS

(Referred to in paragraph 3.7.5.)

1. Schedule Docket- The Schedule Docket gives an account of expenditure incurred in respect of each voucher enclosed and is prepared work wise and also head of account wise. The Auditor should take up the verification of the Schedule Docket serial number wise. The expenditure shown in the Docket is only with respect to that month in respect of that particular work	
Verify whether the charges in the Schedule Dockets are in consonance with vouchers which accompany them. (Any misclassification noticed)	
Verify the total of each Schedule Docket with the Schedule of Works expenditure (Form 64) under the particular Schedule Docket Number.	
Whether contra entries in respect of all Transfer Entries mentioned in the Schedule Docket have been verified?	
Verify whether the Schedule Docket gives details of Name of Work, Major, Head Sub, Major Head, Minor Head, Sub Head alongwith details of number of vouchers and number of TEO attached with Schedule Docket.	
Whether all vouchers and transfer entry orders enumerated on the dockets and which have to be submitted are forthcoming.	
Whether each docket bears the initials of the Divisional Accountant.	
Verify whether individual amounts detailed in the vouchers add up to the totals indicated in Schedule Docket and the totals are indicated both in words and in figures.	

ANNEXURE-3.5

CHECKLIST FOR VOUCHERS

(Referred to in paragraph 3.7.5.)

Following vouchers are received in the monthly accounts viz, First and Final Bills, Running Account(RA) Bills and Final Bills, other vouchers such as purchase bills and telephone bills, electricity bills etc, Hand Receipts and Transfer Entry vouchers

The following checks on assertions on measurement, completeness, regularity, occurrence and disclosure will be mandatorily exercised on all vouchers selected for audit.

ASSERTIONS ON MEASUREMENT

1.	Verify whether the amount accounted in the Schedule of Receipts is same as the amount actually received as per Challan.
2	Verify whether the totaling in the vouchers and challans are correctly arrived at.
3	Verify whether the amount actually paid as per voucher is same as per the receipt signed by the recipient
4	Verify whether the total of sub vouchers equal the paid amount as per main voucher.
5	Verify whether the deducted amounts from bills are correctly booked in corresponding Revenue Receipt/Capital Receipt/Public Account Major Heads.

ASSERTIONS ON REGULARITY

1.	Check whether the expenditure is incurred with proper budget allocation and that the expenditure is not on a new service or new instrument of service.
2	Verify whether certificate of Payments or Certificate of Receipts for Missing Vouchers/Challans are properly authorized and accepted by Accountant General (A & E)
3.	Verify whether the classification of vouchers and challans are correctly done.
4.	Check whether expenditure booked as charged expenditure is eligible for such classification under provisions of constitution and as per provisions in the budget
5	Check whether the expenditure in the voucher is sanctioned by appropriate authority and actual expenditure is for the amount sanctioned.
6	Check whether the expenditure is correctly classified as revenue or capital based on principles applicable for classification into revenue or capital
7	Check in respect of offices having cheque drawing powers whether the transactions pertain only to their offices.

ASSERTIONS ON OCCURRENCE:

01	Check whether in respect of expenditure incurred through Contingency Fund action to recoup the same through supplementary demands have been taken.
02	Check all Nil Payment vouchers of March to verify whether they have been paid to avoid lapsing of budget allocation.
03	Check whether in respect of refund of deposits, the original deposits have been credited to government account.
04.	Check whether in respect of adjustment or refund of advances, the advance had originally been paid and booked under the correct head of account.

ASSERTIONS ON COMPLETENESS

01	Verify whether the bills/challans are in the prescribed format and contains all documents required to be attached to the bills/challans
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ASSERTIONS ON DISCLOSURE

01	Check whether the classification shown in the Bill/Challan is correct
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Specific checks on Different Categories of Vouchers Received with Monthly Account

(a) First and Final Bill- (This bill is prepared when one single payment is made for the work done and as per agreement entered with contractor)	
Whether the details viz Name of Contractor, Agreement number, Estimate amount, cash book voucher number and the total value of work done has been recorded.	
Whether the bill amount is arithmetically accurate and agrees when total quantity is multiplied with the rate per unit	
Whether the voucher bears the reference of Measurement Book page no. item wise	
Whether an acknowledgement for the gross amount by the payee/contractor has been recorded.	
Whether mandatory deductions like IT, Surcharge on IT, ST and Surcharge on ST have been made at the rates applicable as on date.	
Whether the voucher contains details of measurement recorded by the AE/DEE and check measurement by the EE /AEE /DEE/AE with reference to relevant measurement book page no.	
(b) RA Bills (including Final RA Bills)	
Verify whether the following details are entered on the first page of RA Bills.	
<ul style="list-style-type: none"> i) Name of the Contractor, ii) Name of the work 	

<ul style="list-style-type: none"> iii) Purpose of work iv) Agreement number v) Contractor`s Ledger Folio No vi) Serial Number of the Bill vii) Number and date of last bill for the work, viii) Details of acceptance of the contract ix) Date of written order to commence the work, x) Date of completion as stipulated in the contract. xi) Details of extension granted upto xii) Date of actual completion of work 	
In case of delay in completion of work and non-submission of details regarding extension of time limit whether liquidated damages have been recovered	
Whether the up-to-date and other figures which are dependent upon the entries in the Running Account bill, which is not the first bill of a series relating to an Account, are correct with reference to the last previous bill	
Verify whether measurement has been recorded with the dated signature of the competent authority	
Whether Arithmetical Calculation in Part-IV Memorandum of Payments is correct	
<p>Whether the mandatory deductions viz,</p> <p>Income Tax(2%), Labour Welfare Cess(1% of the value of the work done), VAT (0.6% in case the value of work done is above Rs 1 crore), Hire charges, Royalty, Security deposit (2.5% of the estimated cost), Recovery of materials issued to the contractor and Recovery of mobilization advance if any.</p> <p>Testing charges (1% of the estimated cost as per the conditions of the contract) etc have been made from RA Bills as per the provision of the agreement and rules and regulations prevailing at that time.</p>	
Verify whether signature of the competent authority is there on the RA bills in support of proof of having passed payment.	
Whether the amount shown as paid in the RA Bills is in consonance with the amount mentioned in the Schedule Docket.	
Verify whether the rates at which amounts have been paid for each item of work agree with those mentioned in the contract agreement or rate contract. In the case of rate list contracts they should be checked with reference to the Schedule of Rates.	
Check whether the deducted amounts from bills are correctly booked in corresponding Revenue Receipt/Capital Receipt/Public Account Major Head.	
<p>Whether final bill prepared within 45 days from the date of recording final measurement of work?</p> <p>For work costing upto 50 Lakh (amount put to tender).</p>	

Whether final bill prepared within 75 days from the date of recording final measurement of work? For work costing more than 50 Lakh (amount put to tender).	
(c) Special Checks on Final Bills –	
Verify whether the bill is in the prescribed form and contains all the relevant details such as agreement number, name of the work and details of previous bill paid etc.,	
Verify whether details like dates of measurements, dates of super check measurements and references to pages of Measurement book in respect of the particular work are furnished.	
Verify whether the certificate of the relating to the Quality check by the Quality Control Units furnished.	
(d) Vouchers (Purchase bills)	
Verify whether the vouchers are in the prescribed form, in original and duly acknowledged by the payees in token of receipt	
Verify whether the vouchers give the details of name of the work, estimate and sanction, Measurement Book page number and necessary certificates that the quantities purchased were taken to log book/ stock account as the case may be.	
Whether all the vouchers have a pass order given by EE or AEE as the case may be	
Whether the pass order is given for the gross amount and pay order for net amount and payment details like cheque number, date, Cash Book voucher number and the month have been stated?	
Whether other relevant certificates such as ‘ payment not made already’ were furnished by JE/AEE or Executive Engineer	
Verify whether the vouchers are numbered with reference to the Schedule of List of Payments, Schedule Dockets or other accounts, as the case may be.	
Verify whether stamps have been affixed and punched on all vouchers involving a net payment in excess of ₹5000/- unless otherwise provided in the rules of Government.	
(e) Hand Receipt	
Whether the proper Form-28 was used.	
Verify whether all the details viz names of payer, payee, name of the work, head of account, estimate number, cheque number and cheque amount, Voucher number and purpose for which payment has been made are recorded.	
Whether the Officer authorizing payment has put his dated initial on the Hand Receipt.	
Whether the certificate to the effect that the bill had not been paid previously recorded on the Hand Receipt.	
If it is not a payment of advance it should be supported by claimant’s bill, with appropriate-stamped acknowledgement or advance stamped receipt	
If an award/verdict is granted by the Hon. Court of Law in Land	

Acquisition case and amount deposited in the court vide Hand Receipt, a copy of the order of the Hon. Court should be attached with the Hand Receipt and payment so deposited should be properly acknowledged by the court clerk. Verify whether the same was done.	
(f) Transfer Entry- (Transfer entry relates to expenditure debited to a work through a TEO expenditure withdrawn from another work or suspense heads like Miscellaneous PWA, Stock etc)	
Verify whether the details from where the expenditure stands transferred are recorded.	
Verify whether the reasons for proposing TEO alongwith details like estimate number and DR number in respect of both the works are mentioned	
Verify whether 7F Issue and Receipts statement have been endorsed in cases where TEO involves value of materials transferred from one work to another.	

ANNEXURE-3.6

M.S.O. (Audit) Form - 3

(Referred to in paragraph 3.8.1.)

Audit Note on the Account ofDivisions, for the month of.....

Part-I (i) Objections in respect of Works included in Part I of the Works Register regarding: (a) cases of want to or excess over sanctioned estimated allotments, where regularisation have been delayed for over six months and (b) want of or excess over administrative approval, and
(ii) All objections regarding want of or excess over financial sanction.

Sl.No.	Name of work	Up to date expenditure under objection									
(with amount of sanctioned estimate to be shown in red ink)	Want of sanctioned estimate	Excess over sanctioned estimate	Want of allotment	Excess over allotment	Want of administrative approval	Exceed over administrative approval	Want of financial sanction	Excess over financial sanction	Explanation of Divisional Officer	Remarks by Superintending Engineer	For use in the audit Office How disposed of
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.			

**Part – II
Miscellaneous Objection
M.S.O. (Audit) Form – 3**

Item No.	No. of voucher or item in the schedule concerned (with name of schedule)	Particulars	Amount under objection, if any	Particulars of objections	Explanation of Divisional Officer	For use in the Audit Office how disposed

(* In nearest Rupees)

ANNEXURE-3.7

M.S.O. (Audit) Form - 4

(Referred to in paragraph 3.8.5.)

Objection Book and Adjustment Register

PUBLIC WORK TRANSACTIONS

Class of objection

Item No.	Name of work particulars of item	Balance brought forward		April		And so on	Supplementary Accounts			
		Year from which outstanding	Amount	* Amount placed under objection	*Amount cleared		Amount placed under objection	Amount cleared	Reference to the order, account, voucher or other documents justifying the removal of objection	# Remark (including particulars of correspondence and action taken)
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		

In nearest Rupees

* The amount placed under objection during the month or the amount cleared during the month should be noted in black or blue black ink and the progressive totals should be shown in green ink, e.g,100/100,200/300, and so on.

This column should be filled in only in respect of miscellaneous objections.

ANNEXURE 4.1

(Reference: Paragraph No. 4.2.5.2)

CHECK LIST FOR SCRUTINY OF CONTINGENT VOUCHER/BILL:

CHECKS TO BE EXERCISE	SCRUTINY RESULT
Whether bill submitted in proper Form GTR 44/45/46	
Whether copy of sanction order attached with the bill. Source: Copy of sanction order issued by the department	
Whether sanction was given by the authority who competent to accord sanction.	
Whether sanction was given in correct head of account.	
Whether sanction order shows Major head/Sub-head/object head under which expenditure is to be booked. Source: Budget provision and fund available shown in the Form	
Whether fund provision was made in the respective head under which sanction was accorded	
Whether sanction was accorded in the current financial year.	
Whether tenders/ quotations were invited to fix contract/ rate for particular work/items. Source: Certificate recorded on bill by the DDO	
Whether certificate to this effect for rate/ contract fixed after inviting quotation/ tender was given in the voucher.	
Whether voucher of amount shown in bill was attached.	
Whether printed vouchers shown the name of contractor/ supplier, office address, printed bill number, date, office address to whom bill was issued, office telephone number/ mobile number.	
Whether PAN, Sales Tax number, VAT number, TIN and service tax numbers shown in the vouchers issued to the office.	
Whether voucher was signed by the supplier/contractor.	

CHECKS TO BE EXERCISE	SCRUTINY RESULT
<p>Whether certificate regarding “passed for payment” was written in ink in hand writing on voucher by the disbursing officer with the amount in numerical and in words.</p> <p>Source: Bill submitted for payment</p>	
<p>Whether quantity and rate was correctly mentioned and tallied with the total mention in the voucher.</p> <p>Source: Copy of rate contract/ agreement/ Sanction order</p>	
<p>Whether bill was submitted within one year for payment.</p>	
<p>Whether certificate was for material received in good conditions and as per quantity indented provided by the office in the vouchers?</p> <p>Source: certificate recorded by the DDO on the voucher produced for payment</p>	
<p>Whether bill was correctly classified and expenditure booked in correct head of account.</p> <p>Source: Sanction order issued by the department</p>	
<p>Whether before making payment, the terms and condition of contract/ tender was checked for correctness of voucher amount.</p> <p>Source: Copy of rate contract/ agreement attached with the voucher & bill for payment.</p>	
<p>In case of penalty/ liquidated damages deducted, whether verified that penalty/ liquidated damages correctly worked out.</p> <p>Source: Clause/ condition of the agreement</p>	

ANNEXURE 4.2

(Reference: Paragraph No. 4.2.5.2)

ADVANCE PAYMENT/ PARKING OF FUNDS

CHECKS TO BE EXERCISE	SCRUTINY RESULT
Whether Administrative approval to the work/ project accorded by the Government?	
Whether technical sanction was accorded by the Government?	
Whether proper Major head was provided in the sanction orders?	
Whether budget provision provided by the Department?	
Whether sanction showing the details of works to be carried out by the other office/ agencies/company?	
Whether fund was deposited/ park with instruction of the competent authority with justification?	
Whether Fund was deposited in the month of March?	
Name of Office/ agencies with whom fund was deposited. Source: Sanction order	
Whether work was completed for which amount was deposited? Source: Information to be collected from the depositing division	
Whether amount park with any Company, the interest was given by the company?	
Whether grant was re-appropriated during the month of February and to avoid lapse of grant only deposited?	

ANNEXURE 4.3

(Reference: Paragraph No. 4.2.5.2)

ABSTRACT CONTINGENT BILL (AC) & DETAILED CONTINGENT BILL (DC)

CHECKS TO BE EXERCISE	SCRUTINY RESULT
Whether drawing officers drawn money on abstract bill in a lumpsum or drawn the amounts as and when required on committed items of expenditure?	
Whether sanction to draw AC bill accorded by the Competent Authority?	
Whether copy of sanction attached with the AC bill?	
Whether any AC bill pending with the office who draw another AC Bill? Source: This to be verified from the records of the PAO before issue of observation	
Whether DC bill of previous AC bill submitted by the Office who draw the AC Bill? Source: Certificate recorded by the DDO and it is to be verified from PAO records	
Whether certificate to the effect that no AC bill outstanding or DC bill of previous AC bill submitted was recorded by drawing officer and verified by the PAO before payment of AC bill?	
Whether DC Bill was submitted within a period of three months?	
Whether detailed vouchers were attached with the DC Bill and duly passed for payment by the drawing officer?	
Whether vouchers attached with DC bill were shown date of vouchers after drawing of the AC Bill?	
If AC bill drawn but DC bill not submitted by the office than reasons were called for from the PAO?	

ANNEXURE 4.4

(Reference: Paragraph No. 4.2.5.2)

CHECK LIST FOR CHECKING OF TA/ LTC BILLS

CHECKS TO BE EXERCISE	SCRUTINY RESULT
<p>Whether TA bill claim is submitted within one year time period?</p> <p>One year should be reckoned in the case of TA Bills from the first of the next month in respect of journeys performed during the previous month even though journey may continue over to the first of the month; in case of other claims it will be reckoned from the date of sanction of their claims by the competent authority of from the date on which the claims become due, whichever is later, to the date of its presentation at the Treasury. (Treasury Rule 81 (2))</p>	
<p>Whether the claim is consistent with reference to the rules issued by Government regulating the TA and the details recorded in the bills carefully checked.</p>	
<p>Whether DA passed according to the rates admissible to the Government official?</p>	
<p>Whether steamer fares checked with reference to table of rates and railway fares with reference to Railway time table.</p>	
<p>Whether Bill is countersigned by the controlling officer whenever such countersignature has been prescribed.</p>	
<p>Whether after satisfy about the correctness of the claim, Gazetted Officer passed the bill by recording "Pay order".</p>	
<p>Whether the Government servant is eligible for the Leave Travel Concession (LTC)?</p>	
<p>Whether it was verified that the</p>	

CHECKS TO BE EXERCISE	SCRUTINY RESULT
concession was not availed of more than once in each block of two years?	
Whether the journey was performed by the shortest route and that where the longer route was used the claim is restricted to what would have been admissible had the journey been performed by the shortest route?	
If the journey or part thereof performed otherwise than by rail, between the station connected by rail, whether the amount was restricted to what have been admissible had the journey been performed by rail in the authorised class or actual expenses, which is less?	
Whether the bill was duly countersigned by the controlling officer?	

ANNEXURE 4.5

(Reference: Paragraph No. 4.2.7.4)

CHECKLIST FOR MONTHLY ACCOUNTS

Checks to be exercise	Scrutiny result
All revenue and receipts are brought to accounts under the proper head and the accounts sent to the Accountant General are correct and complete in all respect (Provision 8).	
All expenditure and disbursement made are authorised, vouched and correctly classified	
Financial rules and orders satisfy the provisions of the law and are otherwise free from objection and that these rules and orders are properly applied while preparation of complied accounts.	
No expenditure is classified as 'charged' except in accordance with the terms of the Constitution.	
The expenditure falls within the ambit of a grant or an appropriation specified in the Budget in the respective head of accounts.	
Whether documents namely Pre-check Abstract, Compilation Books, classified Abstracts and Combined Transfer Entry etc. duly approved by the Branch Officer transmitted to the Resident Audit Officer on 10 th .	
Whether Monthly accounts tallied with the Pre-check Abstract, Compilation Books, classified Abstracts and Combined Transfer Entry etc. duly approved by the Branch Officer?	
The monthly account required to the tallied with the head wise jotting report downloaded from the IMFS? Whether jotting report correctly verified with the monthly account and tallied with the head wise expenditure correctly booked in the monthly account.	

ANNEXURE 4.6

(Reference: Paragraph No. 4.2.7.4)

CHECK LIST FOR SCRUTINY OF CONTINGENT VOUCHER/BILL:

PROVISION/RULES	GIST
Monthly Complied Accounts (Provision 545 of Manual of the Pay & Accounts office, Bombay)	<ul style="list-style-type: none">The detailed books duly checked by the Superintendent should be submitted to the PAO through Branch Officer on the evening of 9th or at least by F.N of 10th. These and other documents namely Pre-check of Abstract bills, Compilation Books, classified Abstracts and Combined Transfer Entry etc. duly approved by the Branch Officer should be transmitted to the Resident Audit Officer on 10th. On receipt back the Accounts duly countersigned by Resident Audit Officer, the fair copies of the detail Books and classified abstracts should be forwarded to the Accountant General (A&E) by 12th.
1. Service payments and maintenance of the accounts of the transactions arising in Departments of the Government of Gujarat except works expenditure.	<ul style="list-style-type: none">All financial rules and orders satisfy the provisions of the law and are otherwise free from objection and that rules and orders are properly applied.Payments are made under the proper head, and all expenditure and disbursement made are authorised, vouched and correctly classified and that the accounts sent to the Accountant General are correct and complete in all respect (Provision.8 of Manual of the Pay & Accounts office, Bombay).
<ul style="list-style-type: none">Treasury functions in respect of central transactions:- payments will made after applying treasury checks and accounts of such payments including the transaction recorded in the daily accounts rendered by the RBI will be maintained in the same way as that of any other District Treasury and will render accounts and returns as in the case of the Treasury.	
1. Incurring of expenditure from the consolidated fund of the State is governed by the conditions:	<ul style="list-style-type: none">Where a transaction requires the authorisation of a higher authority, PAO must insist that such authorisation be obtained (Provision 13 of Manual of the Pay & Accounts office, Bombay).That there should be provision of funds;That the expenditure incurred should confirm to the relevant provisions of the constitution and of the law made there under and also should be in accordance

PROVISION/RULES	GIST
	<p>with the financial rules and regulations framed by the competent authority; and</p> <ul style="list-style-type: none"> • That there should exist sanction, either special or general, accorded by the competent authority, authorising expenditure. (Provision 15 of Manual of the Pay & Accounts office, Bombay). • It should be seen that the money that is being drawn is for the purpose for which the grants or appropriation specified in the Budget are intended to provide. It should be seen that the expenditure falls within the ambit of a grant or an appropriation specified in the Budget (Provision 18 of Manual of the Pay & Accounts office, Bombay).
<p>2. Principles should be observed in exercising the checks over sanctions to expenditure:</p>	<ul style="list-style-type: none"> ▪ If the sanctioning authority is vested with full powers in respect of certain class of expenditure, a sanction accorded under these power can be questioned only on grounds of propriety; ▪ If it is vested with powers which may be exercised provided due regard is paid to certain criteria which are expressed in general form, sanctions accorded under this power can be questioned- <ul style="list-style-type: none"> (i) If the disregard of the criteria is considered to be so serious as to make the sanction perverse; or (ii) If the facts of the case are such that one or more of the criteria have been disregarded. • If it is vested with powers which are expressed in precise terms, it should be seen that the order defining its power is obeyed in every instance.
<p>Pre-check of Contingencies: All contingent expenditure will fall into one or other of the following five classes:-</p> <p>1. Contract Contingencies- those for which a lump sum is allotted annually by Government within which the office may incur expenditure as required without further sanction of any kind.</p>	<p>The minimum responsibilities should be exercised in respect of all contingent expenditure. It should be seen:- (Provision 154 of Manual of the Pay & Accounts office, Bombay)</p> <p>i. that each class of expenditure –</p> <ul style="list-style-type: none"> a) is a proper charge against the Grant or Appropriation concerned; b) has received such sanction as is necessary;

PROVISION/RULES	GIST
<p>2. Scale regulated contingencies- those regulated by scale laid down by competent authority, such as reward for destruction of wild animals, etc.</p> <p>3. Special contingencies- charges whether recurring or non-recurring which cannot be incurred without the prior sanction in each case of superior authority.</p> <p>4. Fully vouched contingencies- contingencies of Heads of Department and other officers passed on fully vouched bills which do not require countersignature</p> <p>5. Countersigned contingencies- charges which are controlled and reviewed by HoD and Departments, the control usually taking the form of countersignature after payment on a detailed contingent bill.</p>	<p>c) is incurred by a Government servant competent to incur it</p> <p>ii. that such vouchers are required by PAO are submitted;</p> <p>iii. that any certificate prescribed under the rules are provided;</p> <p>iv. that the rates are apparently not extravagant and that standards of financial propriety are properly observed; and</p> <p>v. that the bill is in proper form and the classification is correctly recorded thereon.</p> <p>Countersigned contingencies: In the case of bills countersigned after payment, the money is actually drawn on an abstract bill, and the detailed bill duly countersigned by the superior authority is subsequently sent to PAO. Both the abstract bill and detailed bill required to be scrutiny (Provision 162 of Manual of the Pay & Accounts office, Bombay).</p> <p>The abstract bill should be scrutinised to see that it is signed by an officer authorised to sign such bills, that the total are correct and that is nothing extra-ordinary or unusual in it. While passing the bill for payment, the amount of bill should be entered in the Objection Book in the relevant column in order to watch the receipt of the detailed contingent bill (Provision 163 of Manual of the Pay & Accounts office, Bombay).</p> <p>On receipt of the detailed bill, it should be carefully checked. It should be seen (Provision 164 of Manual of the Pay & Accounts office, Bombay):-</p> <p>a) that the bill is duly countersigned;</p> <p>b) that the charges included in it cover the amount drawn and are classified as in the abstract bill; difference and disallowances are noted for recovery and adjustment are made, if necessary, on account of misclassification;</p> <p>c) that detailed of charges are given where necessary and</p> <p>d) that other checks and procedure prescribed for any special and scale regulated contingencies are applied.</p>

PROVISION/RULES	GIST
	<p>Every voucher must bear a pay order signed or initiated by a responsible disbursing officer, specifying the amount payable both in words and figures. All pay orders must be signed in hand and in ink (Provision 178 of Manual of the Pay & Accounts office, Bombay).</p>
<p>Grant-in-aid payment:</p>	<p>Unless it is otherwise rules by Government, every grant made for a specified object is subject to the implied condition (Provision 206 of Manual of the Pay & Accounts office, Bombay)-</p> <ul style="list-style-type: none"> • that grant will be spent upon that object within a reasonable time, if no time limit has been prescribed by the sanctioning authority, • that any portion of amount which is not ultimately required for expenditure upon that object will be surrendered. <p>It is imperative that PAO should insist upon the submission of utilisation certificate in respect of all grant-in-aid paid by this office. Cases of failure to refund the unspent balance should be vigorously pursued to finality. A statement of such cases should be sent to Control Section before 10th June every year for transmission to the Accountant General through Resident Audit Officer (Provision 207 of Manual of the Pay & Accounts office, Bombay).</p> <p>A statement showing the distribution of outstanding utilisation certificate should be sent to Control Section every quarter on 5th of January, April, July and October for submission to the PAO. The report should cover the grant-in-aid payment actually made up to previous quarter. The Control Section should consolidate such reports and submit to the PAO by 6th of every January, April, July and October. A copy of the consolidated report should be sent to the Resident Audit Officer in duplicate (Provision 208 of Manual of the Pay & Accounts office, Bombay).</p> <p>The accounts of an institute receiving grants-in-aid exceeding the monitory limit specified therein should be open for check by the Accountant General. The office should, therefore, send through the Resident Audit Officer half-yearly statement showing details of sanctions accorded for payment of grant-in-</p>

PROVISION/RULES	GIST
	<p>aid. All PAD section should furnish by 5th May and 5th November every year to the control section statement in the proforma. The control section should consolidate the statement and forwarded them to the Resident Audit Officer by 10th May and 10th November respectively, every year (Provision 216 of Manual of the Pay & Accounts office, Bombay).</p> <p>As the grants sanctioned by disbursing and countersigning authorities to which conditions are attached are not recorded in the Grant-in-aid Register, the statement furnished in para 216 will not include such items. The PAD section should therefore, obtain by 15th July every year the details of these items from the authorities concerned in the proforma given in para 216, while calling for the annual consolidated certificate in accordance with para 213. The details obtained should be furnished to the control section by 10th August every year for consolidation and onward transmission of the same to the Resident Audit Office by 15th August (Provision 217 of Manual of the Pay & Accounts office, Bombay).</p>
<p>Examine contract or agreement for works or supplies entered into by competent authority which involve expenditure from State revenues; payment against which are accountable in the PAO.</p>	<p>It should be seen that contracts conform to the General financial principles laid down by the Government.</p> <p>It is to be check by PAO that all the conditions and requirements printed in the contract form have been complied with (Provision 179 of Manual of the Pay & Accounts office, Bombay).</p> <p>In respect of contract and agreement for purchase of the value of ₹ 50,000 and above, copies of contract required to be obtained and examined by the PAO. for this purpose a register in prescribed form required to be opened in manuscript to record the particulars of the contract or agreement and the payments made there against and should be reviewed by the Superintendent and branch officer on monthly basis (Provision 180 of Manual of the Pay & Accounts office, Bombay).</p> <p>It should be verified that all financial transaction are properly recorded and classified under proper head of account. It should be also seen that no expenditure is</p>

PROVISION/RULES	GIST
	classified as 'charged' except in accordance with the terms of the Constitution (Provision 14 of Manual of the Pay & Accounts office, Bombay).
<p>Reconciliation of expenditure (Provision 571 of Manual of the Pay & Accounts office, Bombay):</p>	<p>The expenditure booked by PAO should be reconciled by the controlling officers every month with reference to their books. A register showing the progress of reconciliation is maintained by State Accounts Section in order to watch whether the work is done regularly by the controlling officers. The adjustment intimated by the reconciling officer should be attended promptly and intimations sent to them immediately after carrying out the adjustment. A report should be sent quarterly to the Finance Department and other Administrative Department indicating the Controlling Officers who are in fault in the matter of reconciliation, the head of account for which they are responsible for reconciliation and the period for which reconciliation is in arrears.</p>
<p>Rule 210 (Abstract Bill) of Gujarat Treasury Rules, 2000: Except in the case of contingencies requiring countersignature before payment, contingent charges falling under this group may be drawn from the treasury by presentation of abstract bill in Form GTR 45 subject to following conditions and presentation of detailed bills to the controlling officers for countersignature and transmission to the Accountant General in accordance with the procedure hereinafter prescribed.</p>	<ul style="list-style-type: none"> • Drawing officers should not draw money on abstract bill in a lumpsum but they should draw the amounts as and when required on committed items of expenditure only. • Drawal of money on abstract bills should be regulated as per monthly requirements and not beyond one month's period. • Note-1: Administrative Department should study various type of expenditure required to be incurred by their subordinate officers and classify the items for which alone the drawal of money on abstract bill should be resorted. Such study would regulate and restrict the drawal of money on abstract bills on genuine and unavoidable items only. <p>Rule 211: The number assigned to the sub-vouchers pertaining to each entry in the abstract bill shall be detailed against the entry concerned, the amount being given only in these cases where a sub-voucher is for more than ` 1,000.</p> <p>The drawing officer shall furnish detailed contingent bill in respect of all abstract bills within three months from the date of drawal of the abstract bills. A certificate in prescribed form written by drawing office in his own</p>

PROVISION/RULES	GIST
	<p>hand writing and duly signed by him should be obtained on the body of the each abstract bill before such bills are enfacd for payment.</p> <p>“Certified that the detailed contingent bills for the amount drawn on abstract bill up to (mentioned here the last date of previous three months) have been sent to the controlling officer/ accountant General, Rajkot/PAO, Ahmedabad, Gandhinagar under letter No. dated the 20....”</p> <p>The treasury officer will be held personally responsible for passing such bill in absence of such certificate.</p> <p>Rule 212: The monthly detailed bill shall, in the case of contingent charges countersigned after payment, be prepared in Form GTR 46 headed “Not payable at the Treasury” and showing the monthly total of each column with description of each charges requiring explanation.</p>
<p>The important Rules provided in the “Gujarat Treasury Rules, 2000 :</p>	
<p>Rule-80: Arrears claims which require sanction by the competent authority before disbursement shall not be presented to the Treasury Officer/ PAO unless a copy of the sanction of payment accorded by the competent authority.</p>	
<p>Rule 81 (1): No claims against the Government other than those by one department against another or by a State Government not preferred within a year of their becoming due can be presented without sanction from the competent authority.</p> <p>Provided that the claims against the Government other than the claims of the Government servants, not exceeding ` 1,000 presented within three years of their becoming due may be paid without the sanction of the competent authority.</p> <p>Rule 81 (2): One year should be reckoned in the case of TA Bills from the first of the next month in respect of journeys performed during the previous month even though journey may continue over to the first of the month; in case of other claims it will be reckoned from the date of sanction of their claims by the competent authority of from the date on which the claims become due, whichever is later, to the date of its presentation at the Treasury.</p> <p>Rule 81 (3); Arrears claims presented after a period of more than six months from the date of sanction of competent authority will again require sanction of the competent authority for payment.</p>	
<p>Rule 83 (1): Claims against the Government, except claims of arrears of pay or allowances or to increments, which are time-barred by the provision of any law relating to limitation are ordinarily to be refused and no claims of time barred item is to be paid without the sanction of the Government. The onus is upon the claiming authority to establish a special treatment for the time barred item and it is the duty of the authority against whom such a claim is made to refuse until a</p>	

PROVISION/RULES	GIST
	<p>case for other treatment is made out. All petty time barred claims are to be rejected forthwith and only important claims of this nature considered.</p>
	<p>Rule 84 (1) (vii): When bills are presented on account of charges incurred under any special orders, the orders, sanctioning the charge should be quoted. Copies of sanctions should be attached to the bill and must be duly certified by a Gazetted Officer or by a responsible subordinate specially authorised in this behalf by the head of the office.</p> <p>It is the duty of Treasury Officer to raise an objection before making or allowing payment and get satisfied that the sanction is in fact issued but not received by the drawing officer.</p> <p>Rule 84 (ix): The balance of sanctioned allotment must be indicated on the bill and the treasury office may make or allow payment subject to availability of funds only unless otherwise directed by Government in any special cases.</p>
	<p>Rule 93 (1) Note: As a general rule cheques should not be issued for a sum less than ` 10 unless this is permissible under the provision of any law or rule having the force of law.</p>
	<p>Rule 109: The bill, cheque or other documents presented as a claim for money shall be examined by the Treasury Officer who, if the claim is admissible, the authority good, the signature and countersignature where necessary genuine and in order and the receipt a legal quittance, will sign the order for payment at the foot of the bill etc., taking care to adopt the precautions prescribed in Rule 84. Careful attention must also be give to the instruction contained in these rules regarding the completion of bills, cheques etc., presented in support of claims against the Government.</p>
	<p>Rule 132 (1): Every voucher must bear, of have attached to it an acknowledgment of the payment signed by the person by whom or in whose behalf, the claim is put forward. The acknowledgment shall be taken at the time of payment. No payment will be made in the absence of the necessary acknowledgment.</p>
	<p>Rule 134: The provision of rule 84 and 89 regarding the preparation of bills and giving of stamped receipts shall be carefully observed in regard to claims presented at the departmental office or disbursement.</p>
	<p>Rule 135: Every voucher must bear a pay order signed or initiated by the responsible disbursing officer, specifying the amount payable both in words and figures. All pay orders must be signed by hand and in ink. Cashiers and other authorised to make disbursements on passed vouchers should make no payment without a proper pay order of the responsible disbursing officer recorded clearly in ink and hand on the bill or other vouchers. No payments should be made on a voucher or order unless it is signed by hand and ink.</p>
	<p>Rule 172 & 189 (Cost of medical treatment): The expenditure incurred by and to be reimbursed to Gazetted Government Servants on account of medical attendance and treatment may be drawn by the departmental drawing officer in Form GTR 29, as is being drawn in case of non-gazetted establishment. The amount drawn in the bills must be supported by proper receipts and vouchers in</p>

PROVISION/RULES	GIST
	all cases signed or countersigned by an authority of medical department empowered to sanction such expenses.
<p>Rule 193 (1): All charges actually incurred must be paid and drawn at once, and under no circumstances may they be allowed to stand over to be paid from the grant of another year.</p> <p>Rule 193 (2): No money shall be drawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw money from the treasury in anticipation of demands or to prevent the lapse of budget grants.</p>	
	<p>Rule 198: Every Government Officer shall exercise the same vigilance in respect of contingent expenses as a person of ordinary prudence may be expected to exercise in spending his own money. The drawing office is further responsible for seeing that the rules regarding the preparation of bills are observed, that the money is either required for immediate disbursement or has already been paid from the permanent advance and that the expenditure is within the available appropriation.</p>
	<p>Rule 199: The countersigning authority shall be responsible for seeing that the items of expenditure included in a contingent bill are of obvious necessity and are at fair and reasonable rates, that previous sanction for any item requiring it is attached, that the requisite vouchers are all received and in order, that the calculations are correct, and specially that the grant have not been exceeded nor are they likely to be exceeded.</p>
	<p>Rule 208 (2): Unless in any case the Accountant General, directs otherwise sub-vouchers for more than ` 1,000 shall be submitted to the Accountant General.</p>

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