

INSPECTION CODE



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GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF EXPENDITURE
CONTROLLER GENERAL OF ACCOUNTS

PREFACE

This Inspection Code contains detailed instructions on inspection by the Office of Controller General of Accounts, Department of Expenditure, Ministry of Finance and Internal Check to be conducted by the Internal Audit Units of the respective Ministries/Departments.

2. The Code also spells out the role of the Controller General of Accounts in carrying out inspection of the Pay and Accounts Offices and Offices of Drawing & Disbursing Officers under various Ministries/Departments.

3. While the Code gives detailed instructions concerning the items to be checked at the time of internal audit of initial and subsidiary accounts maintained in different offices and the procedure to be adopted in processing the points taken up in internal audit and monitoring of follow-up action thereon, the Ministry/Department may supplement these instructions for any special items of work peculiar to them in consultation with the office of Controller General of Accounts.

The provisions contained in this Code shall form the basis of Internal Audit Manuals of the Ministries/Departments. Any provision contained in the Internal Audit Manuals of the Ministries/Departments which is in contravention of this code may be reviewed and suitably amended in consultation with the Controller General of Accounts.

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(GIRIJA ESWARAN)
Controller General of Accounts

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The abbreviations used in this code may be read as follows :—

A.O.	. Accounts Officer
A.A.O.	. Assistant Accounts Officer
C. & A.G.	. Comptroller and Auditor General of India
C.A.A.	. Chief Accounting Authority
C.G.A.	. Controller General of Accounts
C.C.A.	. Chief Controller of Accounts
C.A.	. Controller of Accounts
C.A.M.	. Civil Accounts Manual
C.B.E.C.	. Central Board of Excise and Customs
C.B.D.T.	. Central Board of Direct Taxes
C.P.W.D.	. Central Public Works Department
C.G.H.S.	. Central Government Health Scheme
C.E.A.	. Children's Educational Assistance
C.P.F.	. Contributory Provident Fund
D.D.O.	. Drawing and Disbursing Officer
D.C.R.G.	. Death-Cum-Retirement Gratuity
D.G.S. & D.	. Directorate General of Supplies and Disposals
F.A.	. Financial Adviser
F.S.	. Foreign Service
G.P.F.	. General Provident Fund
G.F. Rs.	. General Financial Rules
H.B.A.	. House Building Advance
J. A.O.	. Junior Accounts Officer
L.S.	. Leave Salary
L.I.C.	. Life Insurance Corporation
M.C.A.	. Motor Car Advance
O.T.A.	. Over Time Allowance
P.A.O.	. Pay and Accounts Office/Pay and Accounts Officer
P.B.R.	. Pay Bill Register
P.P.O.	. Pension Payment Order
P.S.B.	. Public Sector Bank
R.B.I.	. Reserve Bank of India
S.C.T.	. Statement of Central Transactions
S.T.D.	. Subscriber Trunk Dialling
T.A.	. Travelling Allowance

CHAPTER I

INTRODUCTION

1.1 In exercise of the powers conferred by the 1st Proviso to sub-section (1) of Section 10 of the C&AG's (Duties, Powers and Conditions of Services) Act, 1971 (56th of 1971), the President, after consultation with the C&AG of India has relieved the latter from the responsibility for compiling (i) the accounts of the Union Government (Civil) in stages as on 1st April, 1976, 1st July, 1976 and 1st October, 1976, (ii) the accounts of the Union Territory Administration of Delhi and the accounts relating to taxes, duties and other receipts and deposits realised or refunded under any law for the time being in force and administered by the Department of Revenue and Banking including Central Board of Direct Taxes and Central Board of Excise and Customs with effect from 1st April, 1977 and (iii) the accounts of the Union Territory Administration of Andaman and Nicobar Islands from 1st June, 1980. The responsibility of compiling the accounts of the following still rests with the Comptroller and Auditor General of India :—

- (i) Indian Audit and Accounts Department;
- (ii) Union Territory Administrations of Chandigarh, Dadra and Nagar Haveli and Lakshdweep; and
- (iii) Pensions including pensions to freedom fighters, their dependents etc., and pensions in lieu of resumed jagirs, lands, territories etc., and pensions and awards in consideration of distinguished services.

1.2 For consolidating the accounts of Central Civil Ministries/ Departments and for preparation of Annual Accounts of the Union Government an organisation functioning under the Comptroller General of Accounts has been created in the Department of Expenditure of the Ministry of Finance. Consolidation of monthly accounts of the Union Government from the monthly accounts submitted to him by the various Ministries and Departments has been entrusted to him with effect from 1st April, 1977. The C.G.A. in this connection has responsibility for establishing and maintaining a technically sound accounting system in the Departmentalised Accounts Offices. In order to maintain the requisite technical standard of accounting he has powers to inspect the Departmentalised Accounts Offices to

ensure that accounts are maintained accurately, comprehensively and in a correct manner.

1.3 While the Organisation of Controller General of Accounts has been set up for consolidation etc. of accounts of Central Government, the Secretary of the Ministry/Department concerned has been designated as the Chief Accounting Authority for that Ministry/Department. He discharges his functions through and with the assistance of the Financial Adviser of the Ministry/Department. The Financial Adviser, for and on behalf of the Chief Accounting Authority is responsible for :—

- (a) arranging all payments through the Pay and Accounts Offices/Principal Accounts Offices except where the drawing and disbursing Officers are authorised specifically to make certain types of payments;
- (b) compilation and consolidation of accounts of the department in the form prescribed and its submission to the Controller General of Accounts; preparation of Annual Appropriation Accounts for the Demands for Grants of his Ministry/Department, get it duly audited and submit to the C.G.A., duly signed by the Chief Accounting Authority; and
- (c) arranging internal inspection of payment and accounts records maintained by the various subordinate formations and Pay and Accounts Offices of the Department.

1.4 The scheme of departmentalisation of Union Government accounts provides for setting up of an efficient internal audit organisation to ensure both accuracy in accounts and efficiency in the operation of the accounts set up. Accordingly, internal audit organisations have been set up in most of the Ministries/Departments. The scope and function of the internal audit organisation depends on the nature of work, the number of subordinate offices, the strength of the establishment, nature and quantum of expenditure etc. Each Ministry/Department, therefore, has to draw up a Manual of Internal Audit, specifying the duties and functions of the organisation with particular reference to the conditions prevailing in the Ministry/Department. The guidelines contained in the ensuing paragraphs will regulate the working of these organisations, but these are of a very broad nature and have to be supplemented by detailed instructions to be issued by each Ministry/Department.

CHAPTER II

SCOPE AND EXTENT OF INTERNAL AUDIT

2.1 The Internal Audit Organisation will work directly under the C.C.A./C.A. with the overall responsibility for internal audit remaining with the Financial Adviser of the Ministry/Department concerned. The Principal Accounts Office, the Pay and Accounts Offices as well as the offices of D.D.Os in Ministries/Departments, Indian Missions and other Government of India offices abroad, shall be within the jurisdiction of internal audit organisation of the concerned Ministry/Department. Internal Audit Organisation shall also check initial accounts maintained in the executive offices to ascertain how far the rules and regulations, systems and procedures in accounting and Financial matters are being followed. The scrutiny should *inter-alia* cover the checking of all accounts records including those relating to fund accounts, loans and advances, disposal of confiscated stores (CBEC), review of the installation and operating efficiency of expensive equipment and machinery and examination of the records relating to the physical verification of stores, equipments/tools and plants. Examination of the accounts of autonomous bodies substantially financed by Government but which are not subject to Statutory Audit, (institutions which get less than Rs. 25 lakhs by way of grant but, which, at present, do not come within the purview of audit by Statutory Audit) fall within the ambit of Internal Audit Organisation of the Ministry/Department.

Note : In selecting the missions and other Govt. of India Offices abroad as well as autonomous institutions, the Internal Audit Organisation should draw up programmes in consultation with the administrative sections of the Ministry/Department concerned.

2.2 DUTIES OF INTERNAL AUDIT

The duties of the internal audit organisation will *inter-alia* include the following :—

- (i) study of accounting procedures prescribed for the department with a view to ensuring that they are correct, adequate and free from any defects or lacunae;
- (ii) watch that the prescribed procedures and the orders issued from time to time are implemented properly;
- (iii) scrutiny and check of payments and accounting work of the accounting units;
- (iv) investigation of important arrears in accounting and other connected records;
- (v) periodical review of all accounts records;
- (vi) pursuance/settlement of objections taken in test audit notes issued by statutory audit offices and other matters relating to statutory audit;
- (vii) examine and report on points or irregularities brought to its notice by the Principal Accounts Office/P.A.Os;
- (viii) coordination with other Ministries/Departments and C.G.A. regarding internal audit procedures.

2.3 PROCEDURE FOR CONDUCTING INTERNAL AUDIT

The work relating to internal audit should normally be conducted by locally inspecting various units and offices and by 'on-the-spot' verification of accounts records. The work of the local inspection parties may be coordinated by a headquarters cell, depending upon the nature, number and size of the internal audit parties.

2.4 QUANTUM OF AUDIT

An internal audit party should conduct a general review of all the accounts records maintained by an office since the last inspection or in case of new units, since the formation of the office. Apart from the general review, it should also conduct a detailed check of accounts records of one month in a year to be selected by the Controller/Deputy Controller incharge of internal audit.

The percentage of bills/vouchers/cases etc. other than those pertaining to the accounts records of the selected month to be checked in detail by internal audit as part of the general review of the accounts of an office, will be left to the discretion of the head of the internal audit unit. The extent and nature of checks will include the following :—

- (a) detailed scrutiny of accounts records required to be maintained in Pay and Accounts Offices/in the offices of DDOs;
- (b) verification of payment and accounting procedures in the departmentalised system of accounts including procedures to be followed by cheque drawing DDOs, to see in particular that the scope and extent of pre-check and post-check by PAOs are adequate and that the procedures for maintenance of provident fund accounts, finalisation of pension cases etc. are being duly observed;
- (c) verification of the extent and frequency of control and checks exercised by the head of office, in order to locate any lacunae in procedures whereby frauds or defalcations may be possible either individually or in collusion. Where necessary, steps to remove such lacunae should be suggested;
- (d) scrutiny of sanctioning and purchase procedures in the office inspected, so as to ensure that they are free from any defect or lacunae;
- (e) checking of procedures in regard to disposal of assets to ensure that there exist adequate scrapping/condemning procedures;
- (f) scrutiny of general office management procedures adopted by the heads of offices locally where these have financial and accounting implications so as to suggest tightening up administrative and financial control, savings in expenditure or streamlining of accounting.

2.5 PROGRAMME FOR INTERNAL INSPECTION

The programme for internal inspection for each of the parties will be chalked out by the internal audit organisation and got

approved by the Chief Controller/Controller/Deputy Controller of Accounts incharge of the internal audit. Timely intimation of the proposed visit of the inspection party will be sent to all the officers concerned. A copy of the programme will also be forwarded to the PAO concerned.

2.6 RECORDS, DOCUMENTS TO BE MADE AVAILABLE TO THE INTERNAL AUDIT PARTIES

The head of the office to be inspected will be advised of the dates of inspection well in advance. A list of records to be examined during internal audit shall also be prepared and sent to him, alongwith the notice of inspection so that these are kept ready by him before the arrival of the party.

The accounts records maintained by the offices visited will be made available promptly to the internal audit parties.

Note 1—The payments made by a cheque drawing DDO during the selected month(s) will be verified by the internal audit party with reference to the counterfoils of cheques, copies of the bank scrolls, pay bill register or office copies of the paid vouchers available with the D.D.O. It is, therefore, not necessary for the party to obtain original paid vouchers etc. from the PAO. However, in the case of payments of long-term loans/advances etc. for which the bills are presented by him to the P.A.O. for pre-check and payment, the internal audit party shall obtain from the P.A.O., a list of all such payments made by him during month(s) selected for audit for the purpose of checking that the cheques/bank drafts marked 'Account Payee' had been made over to the correct payees and their acknowledgements obtained; and that the cheques/bank drafts issued in favour of the cheque-drawing DDO for arranging payment in cash had been entered in the cash book maintained by him.

Note 2—In the case of DDOs without cheque-drawing powers, the original paid vouchers for the month(s) selected for local audit would be required by the internal audit parties. These should, therefore, be obtained by them from the PAOs. However, the lists

of payments and cheques issued by the PAOs/cheque-drawing DDOs in the case of payments pertaining to such D.D.Os will not be required by internal audit parties and these need not be called for from the PAOs.

Note 3—The lists of payments and paid vouchers will be furnished by the PAO to the parties promptly on receipt of necessary requisitions. A list showing particulars of discrepancies/defects or other irregularities, if any, noticed during the course of scrutiny of bank scrolls with reference to the related paid vouchers and cheques, remaining unsettled or any other important point requiring investigation may also be furnished by the P.A.Os to the internal audit parties for 'on the spot' examination and report.

Note 4—In the case of Divisional Offices working on the public works system, the paid vouchers and other original records pertaining to the month(s) selected for audit shall similarly be sent by the PAO to the internal audit party. A record of paid vouchers furnished to/received back from internal audit parties will be maintained by the PAO in a register in the form in the Annexure 'A'. This register will be reviewed monthly and necessary action taken where the paid vouchers have not been received back. It will be the Inspecting Officer's responsibility to return the vouchers immediately after internal audit of the concerned office is completed.

Note 5—The above instructions will also be followed *mutatis mutandis* in the case of audit of DDO's offices to be conducted by statutory audit parties.

2.7 FREQUENCY OF INTERNAL AUDIT

The frequency of internal audit will obviously depend upon the staff strength sanctioned for Internal Audit Organisation as well as the number of units falling under its purview. The number of days for inspection, as also the frequency would depend on the amount of expenditure, the nature of transactions, the state of arrears and the general health of accounts of each unit. It would, however, be desirable to aim for internal audit of all important offices once a year.

2.8 DRAFTING AND PROCEDURE FOR SUBMISSION OF INSPECTION REPORTS

The inspection report should be couched in polite language. Offensive or strong words, sarcastic language etc. should on no account, figure in the report. No suppositions, assumptions or allegations should be included in the report. Only facts should be mentioned and inevitable conclusions drawn. There should be no reference to responsibility being fixed for any irregularity; it is for the administrative authorities to take action in the matter. The inspection report should be in two parts, Part-I containing introductory and Part-II irregularities noticed during the current audit/inspection.

(ii) Outstanding paras in the internal audit reports should be reviewed and arrangement made for their early settlement. The internal audit parties should take up all the outstanding paras pertaining to an office during its next inspection and settle them on the spot. Where such a settlement is not possible, the outstanding points with their latest position should be incorporated in the new report and thereby the old report(s) should be considered as closed.

(iii) Routine errors or omissions or commissions noticed during the course of inspection should be got rectified on the spot. Inspection reports should invariably be discussed with the heads of offices inspected and their comments, if any, suitably incorporated in the reports. Inspection reports should be issued after being vetted at the headquarters. One copy of the inspection report will be issued to the head of office inspected and one copy will be sent to the Principal Accounts Officer i.e. Chief Controller/Controller/Dy. Controller of Accounts. Important points should also be brought to the notice of FA/CAA by the head of the Internal Audit Organisation. The progress of settlement of the points raised in the report should be watched by the Chief Controller/Controller of Accounts/Deputy Controller of Accounts incharge of Internal Audit Organisation and all points outstanding should be reviewed at the time of the next inspection by the internal audit party.

2.9 PURSUANCE OF TEST AUDIT NOTES ISSUED BY STATUTORY AUDIT

In order to keep a watch over the settlement of audit objections included in the Test Audit Notes issued by Statutory Audit offices, the Internal Audit Organisation will maintain a register in the form in Annexure 'B' setting apart separate folios for each D.D.O. The progress made towards the settlement of outstanding objections should be reviewed quarterly and appropriate further action taken to ensure their speedy settlement. The compliance with the objections reported to have been made by D.D.Os should be verified during next internal audit of the concerned office. The register will be produced to Statutory Audit Parties, whenever asked for, for verification of settlement of the objections raised.

ANNEXURE—A

[Referred to in Note 4 below para 2.6]

REGISTER SHOWING PARTICULARS OF PAID VOUCHERS FURNISHED TO INTERNAL/STATUTORY

AUDIT PARTIES

S. No.	Particulars of office to be audited	No. & date of requisition	No. & date of letter with which sent	Particulars of inspecting officer to whom sent	Month(s) to which the vouchers required pertain	No. of vouchers furnished	No. & date of letters with which vouchers received back	No. of vouchers received back	No. & date of reminders, if any, issued	Remarks	
1	2	3	4	5	6	7	8	9	10	11	12

Note:—Separate register will be maintained for recording particulars of vouchers supplied to the internal and statutory audit parties.

[Referred to in para 2.9]

Particulars of Audit Officer.....

Sl. No.	Letter No. & Date with which test Audit Note received	Period of accounts covered by Audit	No. of Objections raised	No. of objections settled (Quote S. No. of paras settled)	Paras outstanding	Action taken	Remarks
1	2	3	4	5	6	7	8

CHAPTER-III

NATURE OF CHECKS TO BE EXERCISED

3.1 Internal Audit Parties will *inter-alia* exercise the following checks during inspection of accounts records of various offices :—

3.1.1 PAY AND ACCOUNTS OFFICES

Internal Audit Party will see that :—

- (a) all accounts records required to be maintained are maintained in the prescribed forms, and the accounts are compiled accurately and in correct manner;
- (b) payments are made in accordance with the rules and orders governing them and the arithmetical calculations are correct;
- (c) last claims of government servants are correctly paid and over payments, if any, brought to the notice of concerned DDO for appropriate action;
- (d) recoveries/deductions made from the bills are in order;
- (e) pay fixations are correct;
- (f) all payments and receipts are duly accounted for;
- (g) all transactions are accounted for under the heads of account and the classification is checked by the JAO/AAO/AO to the extent prescribed. No unauthorised head of account is operated in the Classified Abstract/Consolidated Abstract;
- (h) various broadsheets and objection books etc. are maintained properly; the broadsheets are closed regularly every month, and the differences between broadsheets and ledger figures analysed and steps taken to clear them expeditiously;

- (i) the balances outstanding under various debt, deposit, suspense and remittance heads are reviewed at periodical intervals and steps taken to clear the same as expeditiously as possible;
- (j) interest wherever required has been correctly calculated and accounted for;
- (k) GPF/CPF accounts are maintained properly and agreed by maintaining the prescribed broadsheets; no missing debits/credits and unposted items are kept outstanding for unduly long periods and the annual accounts are closed and statement of accounts issued by the due dates;
- (l) foreign service contributions, wherever necessary, are recovered correctly;
- (m) loans and advances and grants-in-aid are correctly paid and over-payments, if any, brought to the notice of concerned DDO for appropriate action;
- (n) receipt scrolls/payment scrolls with challans and paid cheques are received in time from the primary bank branches, checked properly as per instructions and the discrepancies, if any, pointed out promptly;
- (o) in the case of payments made by cheque-drawing DDOs, the lists of payments accompanied by paid vouchers are received every week by the prescribed dates from them, checked and properly accounted for;
- (p) the weekly accounts of receipts realised and remitted by the departmental officers, with duplicate copies of challans, are received from them and checked properly with the bank scrolls;
- (q) the instructions regarding reconciliation of figures under the heads Public Sector Bank Suspense and RB Deposits are duly followed;
- (r) the instructions regarding reconciliation of expenditure and revenue receipt figures are followed;
- (s) there is no undue delay in the finalisation of pension cases.

3.1.2 The Internal Audit Party will take an extract from the Register of P.P.Os maintained in the Principal Accounts Office in respect of the P.P.Os routed through it as well as those sent directly by the P.A.O. (vide para 7.1.4 of CAM). A test check of these cases as well as those where pension is being paid by the originating Pay & Accounts office itself should be conducted in the Pay & Accounts Office, with reference to the Pension papers received from the concerned Head of Office.

3.1.3 CHEQUE DRAWING/NON-CHEQUE DRAWING DDOs.

Internal Audit Party will see that—

- (a) All accounts records required to be maintained are maintained in the prescribed forms;
- (b) Payments made by the cheque drawing DDOs are in accordance with the rules and orders governing them, their arithmetical calculations are correct and the recoveries/deductions made from bills are in order; the lists of payments accompanied by paid vouchers are sent every week by them as per instructions to the concerned PAO by the prescribed dates;
- (c) the instructions for the maintenance of cash book, contingent register, stock and stores accounts, log books and other accounts records are duly observed;
- (d) 'Account Payee' cheques (in favour of government servants and third parties being payable only to the concerned payees) issued by PAOs after pre-check of relevant bills to DDOs are not being entered in the cash book maintained by them and that the delivery and acknowledgement of such cheques is being watched through a separate register required to be maintained for the purpose;
- (e) pay fixations are correct;
- (f) the weekly accounts of receipts with duplicate copies of challans are being sent to the concerned PAO;
- (g) purchases are made as per rules and orders governing them; where lowest quotations are not accepted, the reasons therefor are recorded;
- (h) all sub-vouchers pertaining to contingent charges not sent to the PAO along with contingent bills are

available in office, are otherwise in order and have been properly cancelled;

- (i) G.P.F./C.P.F. accounts of Group 'D' employees are maintained properly;
- (j) the instructions for processing/submission of pension cases to the concerned PAO are observed;
- (k) the payment entries of the advances drawn are made properly in the Pay Bill Register and that recoveries are being effected regularly from the Government servant concerned; and that the entries in the monthly abstracts of recoveries, especially those relating to "transfer in" and "transfer out" cases, are correctly made;
- (l) every PD Account (Personal Deposit Account) in the Ministry/Department is alive and in operation.

3.2 CHECKING OF RECEIPTS

While the Departmental authorities are primarily responsible to see that all revenue or other debts due to Government are correctly and properly assessed, realised and credited to Government account, it would be necessary for Internal Audit to see that adequate regulations and procedures have been prescribed in the Department to secure an effective check on collection and accountal of all revenue receipts and refunds and that such regulations and procedures are being followed correctly. It would also be necessary to ascertain the nature of checks exercised by the Departmental authorities to ensure prompt detection and investigation of irregularities, loss of revenue due to double refunds, refunds with reference to fraudulent and forged vouchers/challans or other types of omission or commissions in the process of levy/collection of taxes or in ordering refunds.

3.2.1 In the Internal audit of revenue receipts the Internal Audit Party should *inter alia* ensure the following by such test checks as may be considered necessary :—

- (a) that the demands are raised promptly in the manner required by the Law or Act of Parliament and that no amount due to Government is left outstanding in its books without sufficient reasons;

- (b) that the collections and refunds are accounted for regularly and properly under the appropriate heads of accounts and that no sums are credited to Government by debit to a suspense head; credit must follow and not precede realisation.
- (c) that proper safeguards exist to ensure that there is no wilful omission or negligence to levy or collect taxes or to arrange for refunds, wherever due;
- (d) that double refunds, fraudulent or forged refund orders or other losses of revenue through fraud, default or mistake are promptly brought to light and investigated; and
- (e) that all revenue receipts collected by departmental officers are promptly remitted to the bank or the P.A.O., as the case may be, and that the receipts as per their records are reconciled with those booked in Government accounts on the basis of receipted challans, in accordance with the procedure laid down in Chapter I of Civil Accounts Manual.

CHAPTER IV

DETAILED AUDIT OF INITIAL AND SUBSIDIARY ACCOUNTS RECORDS

4. The accounts records in an office depend upon the nature of business of the office audited. However, every office handling cash and establishment matters is required to maintain Cash-Book, Bill Register, Contingent charges register, Stock register, Service Books etc. The most common records and procedure which have to be scrutinised in internal audit, and the checks to be exercised in their audit, are indicated in this chapter.

4.1 REGISTERS.—In examining the various registers etc., it should be seen in general that :—

- (i) All accounts records are maintained in the prescribed form and are page numbered.
- (ii) All columns in the registers are correctly filled in and transactions have been recorded in chronological order.
- (iii) There is no evidence of tampering of pages, over-writing, erasures etc. and all corrections are properly checked and attested.
- (iv) Each register is reviewed by the competent authority at regular intervals.
- (v) Payments have been made in accordance with the rules and orders governing them and that the arithmetical calculations are correct.
- (vi) Recoveries/deductions made from the bills are in order.
- (vii) Pay fixations are correct.
- (viii) Interest, wherever required, has been correctly calculated.
- (ix) Classification of account is properly checked.
- (x) Purchases are made as per rules and orders governing them; where lowest quotations are not accepted reasons therefor are recorded.

- (xi) All vouchers pertaining to contingent charges which have not been sent to Pay & Accounts Office along-with the contingent bills are available in the office and are otherwise in order and have been properly cancelled.
- (xii) G.P.F. Accounts of group 'D' employees are properly maintained.
- (xiii) The instructions for processing/submission of pension cases to the concerned Pay & Accounts Office are observed.

4.2. CHEQUE DRAWING DDOs

Under the scheme for the departmentalisation of accounts, certain DDOs who are not located at the same station as the Pay & Accounts Offices, have been authorised to draw funds directly from the local branches of public sector banks accredited to the Ministry/Department concerned.

4.3. SAFE CUSTODY OF CHEQUE-BOOKS AND ITS VERIFICATION ETC.

Internal Audit Party should see that the procedure prescribed in Civil Accounts Manual for safe custody of cheque-books is followed by the cheque drawing DDO. It should be specifically seen :—

- (i) that cheque-books on receipt have been carefully examined by the DDO and a certificate of count of number of forms contained in each book has been recorded.
- (ii) that the intimation about the cheque book to be used is being sent to the Bank in the prescribed form attached with the cheque-book, before the book is brought into use. Further, that all the cheques in the cheque-book are being affixed with the code number of the bank on which the cheques are to be drawn, before the book is brought into use.
- (iii) that the cheque-books have been kept in the safe custody of DDO under lock and key.

- (iv) that the correct type of cheque forms are used by the cheque-drawing D.D.Os. as laid down in para 1.8.1 to 1.11.2 of Civil Accounts Manual.
- (v) that a stock register of cheque-books in the prescribed form is maintained by the D.D.O.
- (vi) that the periodical verification of cheque-books has been conducted by an officer other than the officer-in-charge (cheques) and a certificate of physical count is recorded by him in stock register.
- (vii) that the register of daily account of cheque forms used during the day is maintained properly and all columns have been completely filled in and attested by the D.D.O.
- (viii) that in case of loss of any cheque, the bank has been informed in time so as to avoid any payment.
- (ix) that the cheques are not signed unless required for immediate encashment or delivering to the person concerned.
- (x) that amounts of cheques are written both in words as well as in figures.
- (xi) time-barred cheques are cancelled and fresh cheques issued in lieu thereof, wherever necessary.

4.4(A) PAYMENT/RECEIPT SCROLLS AND ITS RECONCILIATION BY CHEQUE DRAWING D.D.O.

The Internal Audit parties should see that the scrolls of payments and receipts are checked by the DDOs concerned and a statement of reconciliation is drawn up every month in the manner stated below :—

- (i) The paying branch of bank is required to transmit the scrolls of payments alongwith paid cheques to the Pay & Accounts Office and copy of the scroll to the cheque drawing D.D.Os. The scrolls received from the bank should be checked with reference to register of cheques issued regarding the name of the payee and the amount of cheque paid; date of encashment should be noted in the relevant columns of the register of bills and register of cheques.

- (ii) A bank reconciliation statement should be prepared by the D.D.O. every month explaining the difference between total payments made as per Bank's scroll and the total payments made during the month as per register of cheques issued, indicating the details of cheques, issued during the month but not encashed and the cheques issued in earlier months but encashed during the month. Discrepancies, if any, noticed in the scrolls should be taken up immediately with the bank.
- (iii) The cheque-drawing D.D.Os. will also receive a copy of the receipt scroll from the bank in respect of amounts remitted by them into government account. The D.D.Os. will ensure from the entries in the bank scroll that all the remittances have been included.

4.4(B) STATEMENT OF G.P.F. ADVANCES

Under Para 4 of GOI, M/o Finance O.M. No. F. 2(27)/76-(Spl Cells) dated 23-9-76, cheque-drawing D.D.Os. are required to send a monthly statement of GPF advances paid to Group 'A', 'B', 'C' employees to Pay & Accounts Office to enable that office to ensure the posting of debit in the G.P.F. Accounts of the subscribers. The internal audit party should ensure that the statement of G.P.F. Advances is sent to the Pay & Accounts Office concerned regularly.

4.5 EXPENDITURE

The essential points to be seen in the audit of expenditure are as follows :—

- (i) that payments made by the cheque drawing D.D.Os. are in accordance with the rules and orders governing them, their arithmetical calculations are correct and the recoveries/deductions made from bills are in order; and that the list of payments accompanied by paid vouchers are sent every week by them as per instructions to the concerned P.A.O. by the prescribed dates.

- (ii) for expenditure beyond the powers of Head of Office, there exists a sanction, either specific or general, accorded by the competent authority.
- (iii) for every payment made, there is a voucher complete in all respects or a certificate of payment where it is not possible to support a payment by a voucher.
- (iv) there is a provision of funds sanctioned by the competent authority.
- (v) the expenditure has not been incurred solely to prevent lapse of budget allotment.
- (vi) in case of work done or purchases made, the accepted tender alongwith the rejected tenders, comparative statements and notices of tender are available in the office of the accepting authority alongwith the reasons for non-acceptance of lowest tender.
- (vii) the payment has been made to the proper person and it has been so acknowledged and recorded so that a second payment on that account is not possible.
- (viii) the charges do not exceed the rates or scale fixed under rules or orders issued by the competent authority.
- (ix) the payments have been correctly accounted for in the initial accounting records.
- (x) sub-vouchers and acquittances for amounts up to Rs. 100/- and retained by the DDO are marked cancelled, after their entry in the contingent charges register, so as to prevent misuse of the vouchers.
- (xi) Sub-vouchers for amounts in excess of Rs. 100/- have been sent to the Pay & Accounts Office concerned alongwith the bill.

4.6 RECEIPTS SCROLLS

Receipts of Ministries/Departments will normally be received in the form of cheques on local banks or demand drafts,

drawn in favour of the Pay and Accounts Officer or cheque drawing D.D.O. as the case may be. Receipts in cash will however, be accepted by cheque drawing DDOs or other departmental officers subject to the provisions of Rule 18 of CGA (R&P) Rules, 1983.

The receipts thus accepted will be remitted into Government account which is held by a PAO or by a cheque drawing officer in the relevant branch of the bank accredited to the Ministry/Department concerned. Challan forms shall be used showing particulars of cash/cheque/demand draft deposited and the classification relevant there to in triplicate where the Pay and Accounts offices remit and in quadruplicate where the cheque drawing DDO remits. Receiving branch bank will render receipt scroll (i) daily to the Pay & Accounts Office in respect of receipts entering the accounts held by him together with challans and (ii) weekly alongwith the receipted challans in support thereof, to the concerned Pay and Accounts Officer in respect of receipts entering the accounts of cheque drawing DDOs, and copies of scrolls to the later. Based on the challans received by him the departmental officer will prepare a weekly statement of receipts giving the number and date of the challan, name of the depositor and amount deposited. He will also check the entries in the copy of the scrolls received by him with entries in the statement of receipts and reconcile with the bank any discrepancy detected, under advice to the Pay and Accounts Office. He will also send to his P.A.O. a monthly bank reconciliation statement (Form CAM-22).

The Pay & Accounts Officer will, on receipt of bank scrolls, check the entries in the scrolls with the challans attached thereto and after proper linking, shall pass them on to the compilation section for posting the total receipts as per scrolls in the register of public sector bank suspense or Reserve Bank Deposits as the case may be, maintained in form C.A.M.-17 and also for compiling the challans to the receipt heads concerned. He will also watch receipt of reconciliation statement from the cheque drawing DDOs to ensure that all the amounts credited by them have been correctly entered in the scrolls received by him. He will also watch whether credit is given in bank scrolls for all the cheques/bank drafts sent to the bank by him for credit into Government account, and take appropriate action in respect of those outstanding, in consultation with the bank. If any of outstanding bank draft happens to be one that was received from a Departmental Officer (without

cheque drawing powers) stationed at an outstation, he would have to keep the latter informed and/or arrange for further action being taken with the party concerned through the latter.

Departmental Officers who are other than the cheque drawing DDOs situated at the same station as the Pay and Accounts Officer shall remit the collections received in cash or local cheque/demand draft into the bank in which the Pay and Accounts Office holds an account duly supported by challans. He will also send to the Pay and Accounts Officer a weekly list of remittances into the Bank to enable the Pay and Accounts Officer to watch receipt of corresponding credits in the bank scrolls received by him. Departmental Officers situated at a station other than that of the Pay and Accounts Office, shall obtain receipts in the shape of demand drafts drawn in favour of the Pay and Accounts Office and payable at the latter's station and where he is empowered to receive cash, shall convert the same into a demand draft drawn in favour of his Pay and Accounts Officer and remit the same to the latter for crediting into Government account. The Pay and Accounts Office shall intimate to the Departmental Officer for further action, details of cheque(s) bank draft(s) remaining outstanding or dishonoured at the end of the month subsequent to that in which the latter had reported it (them) as remitted to the Bank. If under the provisions of any Rule/Act, the receipts of a department are at present required to be remitted by the public by means of demand draft drawn in favour of departmental officers and such an officer happens to be a non-cheque drawing Officer, he should endorse it in favour of the Pay and Accounts Officer of his Department for crediting it into the Government account held by the latter. Reserve Bank of India have clarified that there is no legal bar to a crossed cheque/demand draft drawn in favour of departmental officer and bearing the endorsement "Account Payee" being endorsed by him in favour of his Pay and Accounts Officer for this purpose.

"Even category III cheques/drafts bearing the endorsement 'Not negotiable and not payable' in cash-creditable to Government account only drawn in favour of Chief Controller/Controller/Deputy Controller of Accounts i.e. Principal Accounts Officer, could be endorsed by him in favour of a P.A.O. under him for crediting to Government Account".

[Authority : Reserve Bank of India's letter No. GA 1652/22-78/80 dated 11th January 1980 in the File No. S. 13018/1/79/TA]

Note.—Receipts relating to Direct Taxes (Income tax, Corporation tax) and Indirect Taxes (Customs and excise duties etc.) administered by Central Board of Direct Taxes/Central Board of Excise and Customs will, however, be credited/remitted into the Reserve Bank of India and other nominated branches of public sector banks using challan forms specifically prescribed under the relevant provisions of the schemes of revenue collections of Central Board of Direct Taxes/Central Board of Excise and Customs with effect from 1st April, 1977.

4.7 CASH BOOK

The following points are to be borne in mind while conducting audit of Cash Book maintained by a D.D.O. :—

- (i) that a cash book is maintained in the prescribed form i.e. TR-4 (now G.A.R 3).
- (ii) that the pages of cash book are machine numbered and a certificate of count of pages has been recorded on the first page before a cash book is brought into use.
- (iii) that all monetary transactions have been entered in the cash book as soon as they have occurred and attested by D.D.O.
- (iv) that the cash book is closed regularly and properly checked and that at the end of each month the D.D.O. has personally verified the cash balance and has recorded a signed and dated certificate to that effect.
- (v) that the totals have been checked by a person other than the writer of the Cash Book.
- (vi) that surprise physical verification of cash has been conducted at periodical intervals by the D.D.O.
- (vii) that for every entry there is a voucher setting forth full and clear particulars of the claim and all information necessary for its proper classification and identification in accounts.

- (viii) that amounts received have been paid in full into the bank without undue delay, for credit to Govt. Account under proper head.

Note.—The verification of credits of the selected month's receipts should be made with reference to the bank reconciliation statements of receipts prepared by the D.D.O.

- (ix) that when money is received from the Government servant a receipt in form T.R. 5 (now GAR-6) has been issued to the payee. This receipt is to be signed by the D.D.O. who should satisfy himself at the time of signing the receipt that the amount has been entered in the Cash Book.
- (x) Erasure or overwriting of an entry once made in the Cash Book is prohibited. If a mistake is discovered it should be corrected by drawing a line through the incorrect entry and recording the correct entry in red ink.
- (xi) that adequate security as envisaged in Rule 270 of G.F. Rs. in respect of Cashier has been obtained, accepted by the competent authority and relevant documents kept in the safe custody of the Head of office (Rule 275 & 277 GFRs).
- (xii) government money has been kept in strong cash box secured by double lock.
- (xiii) the officers Incharge of Internal Audit field parties may get the cash balance verified by the Departmental Officers in their presence and have a certificate of verification recorded in the Cash Book as laid down in Government of India, Ministry of Finance, Department of Expenditure (Special Cell) New Delhi O.M. No. F.2(27)/76-Spl.Cell dated the 3rd December, 1976.
- (xiv) that the account payee cheques issued by the PAO/ Cheque drawing DDO in favour of Government servants and third parties, being payable only to the parties, are not entered in the Cash Book. The delivery and acknowledgements of such cheques should, however, be watched through a separate register.

4.8 REGISTER OF VALUABLES

The Heads of Offices are required to maintain a Register of Valuables. The audit party should see :—

- (i) that the register is being maintained in the prescribed form.
- (ii) that the cheques/demand drafts received have been entered in the register on the day of their actual receipt.
- (iii) full particulars of the valuables are recorded in the register.
- (iv) that the cheques demand drafts have been sent to the bank soon after their receipt for credit to Government Account.
- (v) that the register is being closed every fortnight.
- (vi) that the credit of valuable has been traced in the banks scroll and particulars thereof recorded in column 9 of the register.

4.9 REGISTER OF BANK DRAFTS

DDOs are required to maintain a register of Bank Drafts. The audit party should see :—

- (i) that the register of bank drafts is being maintained in the proper form.
- (ii) that full particulars i.e. Bill No. and date has been indicated before cheque is sent to Bank for preparation of the bank drafts.
- (iii) that the bank drafts have been sent to the party without delay.
- (iv) that the date of acknowledgement has been indicated in the columns prescribed for this purpose.

4.10 CONTINGENT REGISTER

The usual checks consist in seeing that :—

- (i) the register is maintained in the prescribed form.
- (ii) that the budget allotment is distributed under the authorised sub-heads of contingent charges and noted in the appropriate columns of the register.
- (iii) entries are made in the register as soon as payments are made and attested by the D.D.O.
- (iv) expenditure is kept within the available appropriation and that steps are taken to obtain additional appropriation if the original has either been exceeded or likely to be exceeded.
- (v) monthly and progressive totals have been correctly made and carried forward.
- (vi) that the monetary limits prescribed in respect of certain classes of contingent expenditure e.g. local purchase of stationery are duly observed consistently and certificates furnished on contingent bills.
- (vii) charges which are inadmissible or are in excess of the sanctioned scale have not been concealed by splitting them into two or more different bills.

4.11 CONTINGENT BILLS

It should be seen :—

- (i) that the rules regarding preparation of contingent bills are being observed by the Drawing Officer and proper bill forms are used for withdrawal of funds.
- (ii) that the expenditure has been incurred within the provisions of budget grant for that particular head of account.
- (iii) that in case of contract contingencies the proposed expenditure has not exceeded the contract/grant.

- (iv) that each voucher bears a pay order signed by the D.D.O. specifying the amount both in words and figures.
- (v) that all the paid vouchers which are not required to be sent to the P.A.O. have been stamped "paid and cancelled" by the D.D.O. so that these may not be misused.
- (vi) that the contingent bills for wages of Mazdoors engaged in manual work and paid at daily or monthly rate, rent, electricity and other charges incurred on the hire of private buildings, expenditure on light refreshment, etc. are in accordance with the rules and the Government orders issued from time to time.
- (vii) that the flow of expenditure during March in any financial year is not on high side with a view to exhausting the budget allotment.
- (viii) that the expenditure has been sanctioned by the competent authority and sanction to the expenditure has been attached with the bill.
- (ix) that a register of contingent charges, to watch the expenditure under each sub-head is maintained in the prescribed form i.e. T.R. 25 (now GAR 27), budget provisions against each sub-head have been noted on the top of the columns provided and that every entry has been attested by the D.D.O. before any payment is made.
- (x) that a progressive totals of expenditure under various sub-heads is being struck so that expenditure does not exceed the budgetary allotment.
- (xi) that all the vouchers bear dated acknowledgement of the payment received together with a stamped receipt in case of payments above Rs. 20/-.
- (xii) that all the vouchers for purchase of stores bear a certificate by the competent officer regarding entry of stores in the stock register, indicating the page number of the stock register; also a certificate by the competent authority that the quantities of stores

received were in order and that the stores were according to the approved specification.

- (xiii) that a detailed contingent bill is sent to the Pay & Accounts Officer in respect of amounts withdrawn on abstract contingent bill soon after the money has been utilised and that the unutilised amount has been refunded to the Government account.

4.12 PURCHASE OF STATIONERY

It may be seen during Internal Audit that the head of office has not incurred expenditure on purchase of stationery in excess of the powers delegated to him, in case the head of office has incurred expenditure in excess of powers delegated to him, the same should be regularised by obtaining sanction of the competent authority.

4.13 TELEPHONE & TRUNK CALL CHARGES REGISTER

The following points should be borne in mind while conducting the audit of Telephones Bills/Register of Telephones and Trunk Calls charges and the other connected records :—

- (i) that telephone with STD facility has been provided to the officers entitled to the facility.
- (ii) that the telephone register for bi-monthly rent and call charges is being maintained to prevent double payment of the same bill.
- (iii) that the requirement of maintaining a register for recording the particulars of official S.T.D. calls made by the officers from their residential telephones has been dispensed with vide G.O.I., M.O.F., Deptt. of Exp. O.M. No. F.7(7)-E(Coord.)/85 dated 8-7-1985. The officers entitled to S.T.D. facility on their residential telephones, may in future, be asked to certify whether bi-monthly calls in excess of 650 are on account of S.T.D. calls and, if so, whether these S.T.D. calls are on official account or otherwise. This certificate would need to be countersigned by the controlling officers. It will be open to the controlling officers to look into the cases where, in their opinion, the number of excess calls are too high.

The excess calls other than those certified to be on official work, will continue to be paid by the officers themselves as hitherto.

- (iv) that a register showing trunk calls made for official and private purposes are maintained by the officers both for office and residential telephones in the prescribed form, and in case of private calls necessary recoveries are effected from the official concerned.
- (v) that residential telephones are generally provided to officers of the rank of Deputy Secretary and above and in case of officers below the rank of Deputy Secretary, not more than 25% of the class I officers are provided with a residential telephone.

4.14 LIVERIES ACCOUNT

While conducting internal audit of the liveries account, it should be seen that the provisions contained in the Hand Book of Uniforms have been observed by the D.D.O.

In particular it should be seen :—

- (i) that the Register of Liveries is maintained by Head of office in the prescribed form and entries in regard to receipts as well as issue of Liveries to Group 'C' and Group 'D' officials are made in the register under proper attestation.
- (ii) that issue of liveries for Group 'C' and Group 'D' officials have been made according to the prescribed scale.
- (iii) that the washing allowance is paid to Group 'C' and Group 'D' officials in accordance with the rules and orders issued by the Govt. of India from time to time and in case of officials proceeding on leave for more than 15 days in a calendar year, necessary recoveries on account of washing allowance have been effected from their salary bill for the month of January each year.
- (iv) that the uniforms have been issued only to those employees who are eligible.

- (v) measurement card for each employee is maintained in the prescribed form.
- (vi) Where the local purchase of articles of uniforms beyond the normal limits laid down by D.G.S. & D. becomes necessary for some administrative reasons or delay by D.G.S. & D. etc. specific permission for the same is obtained from D.G.S.&D. or M/o Home Affairs.
- (vii) that the uniforms have been withdrawn from employees who have either resigned or have been discharged or promoted to the post where such uniforms would not be used.

4.15 SERVICE POSTAGE STAMPS ACCOUNT

Stock account of service postage stamps should be scrutinised to see :—

- (i) that daily account of service postage stamps is being maintained properly and in the prescribed form and is attested daily by the person in-charge of the section.
- (ii) stock of closing balance has been correctly carried over to next month and the same has been attested.
- (iii) that all purchases of stamps have been entered in the register under proper attestation.
- (iv) that the physical verification of stamps has been conducted at the end of each month and a certificate to this effect has been recorded in the register.
- (v) that all issue of stamps relating to registered letters are supported by postal receipts.
- (vi) denomination-wise closing balances has been indicated at the end of each month.

4.16 CONSUMPTION OF ELECTRICITY

It should be seen that economy instructions issued by the Govt. of India in connection with the consumption of electricity in Govt. offices etc. are duly observed. In the case of

Central Govt. Installations/Workshops etc. where the consumption of electricity is very high and where high voltage transformers have been installed for the bulk supply of electricity, it should be seen that average actual consumption of electricity is not less than minimum limit for which the charges are levied by the Electricity Board. If the actual consumption of electricity is much less than the sanctioned load, the departmental officers may be advised to consider the possibility of a reduction of the sanctioned load so as to save expenditure on electricity due to excess billing.

Electricity used in Government Offices are exempt from levy of electricity duty. It should be seen that such duty has not been paid and wherever paid it should be pointed out for recovery.

4.17 PAY BILL REGISTER

Pay Bill Register should be examined during internal inspection to see :—

- (i) that the pay Bill Register is maintained in the prescribed form i.e. TR-22.A (now GAR-13) and all particulars have been correctly noted in the columns provided in the register under proper attestation.
- (ii) that the pay and allowances have been drawn correctly with reference to their pay as per service book.
- (iii) that the entries in the register are checked by a person other than the poster and closing of the abstract has been signed by the D.D.O.
- (iv) that the recoveries on account of C.G.H.S., Insurance, G.P.F., Advances etc. have been correctly effected from the salary of the Govt. official and are reflected correctly in the corresponding schedules.
- (v) that the advances paid to Govt. servant have been noted in the pay bill register as soon as the advance is drawn by the DDO so that the recovery due from the official does not escape notice.

- (vi) that it would suffice if income-tax deductions are made and the party need not go into the correctness of the income-tax calculations.
- (vii) Paid vouchers obtained from P.A.O. for the selected month of audit should be examined in the following manner :—
 - (a) the bill should be test-checked with pay Bill Register in regard to names of the persons, number of persons, the gross amount and the net amount for each individual employee to verify that the bills were correctly drawn.
 - (b) that a valid acquittance duly stamped for each amount disbursed has been obtained.
 - (c) that the amount of undisbursed Pay & Allowances has been kept in the Register of undisbursed Pay & Allowances under proper attestation and when the amount has been disbursed to the official concerned, entry to that effect has been made under proper attestation by the D.D.O.
 - (d) that the payments made have appeared in the cash book on the same day.
 - (e) that the payment of arrear claims has been drawn through supplementary bill and certificate regarding non-drawal of amount on any previous occasion has been recorded on the bill.

4.18 PAY FIXATION CASES

As the system of issuance of Pay Slips to Gazetted Officers was dispensed with from 1-7-1976, 50% /25%/5% of the cases of Group A/Group B/other officers where pay has been fixed by the Department may be checked with a view to ensuring that the pay has been fixed in accordance with the Fundamental Rules and orders issued by the Government of India from time to time.

4.19 CHILDREN'S EDUCATIONAL ASSISTANCE

Children education allowance is admissible to Central Government Servants w.e.f. 1-3-1962 as per conditions of eligibility, rates etc. contained in Government of India, Ministry

of Finance O.M. No. F.10(1)EST(Spl)/60 dated 3-1-62 and 5(7). E.II(13)/73 dated 31-10-1973, as amended from time to time. The following points should be seen while conducting the audit of records in connection with the drawal and payment of C.E.A. :—

- (i) that a certificate in the prescribed form is obtained twice a year i.e. in January and July from the Govt. employee duly verified by the Head of Institution where the child is studying.
- (ii) that correctness of the certificate given by the Govt. servant as above is independently verified by the DDO every year.
- (iii) that the allowance is paid only to a permanent/quasi-permanent and temporary Government servant who has put in not less than one year continuous service and his pay does not exceed limit specified from time to time.
- (iv) that if both husband and wife are Central Government servants, the allowance is not allowed if the pay of either exceeds the limits specified from time to time.
- (v) that this allowance is paid to children between the age of 5 and 18 years.
- (vi) that the allowance has been paid at the prescribed rates and the maximum limit laid down by the Govt. for the payment of C.E.A. to Govt. servant from time to time is not exceeded.
- (vii) that the allowance is given only in cases where the official is compelled to send his child to a school away from the station of posting and/or residence owing to absence of school of the requisite standard at that station. In such cases, the Head of office should satisfy himself regarding the non-availability of school of requisite standard or non-availability of admission in such school by obtaining information direct from the educational authorities. However, in respect of those Group 'B', 'C' & 'D' officials to whom the allowance was admissible on 31-10-1973

in accordance with the orders then in force, the allowance will continue to be admissible at the revised rates so long as their children continue to study at the same place or within the same district where they were studying on 31-10-1973 and for the period for which they are otherwise eligible. This relaxation, however, will not be applicable in the case of gazetted officers who were not eligible for grant of C.E.A. on 31-10-1973.

- (viii) that this allowance is admissible only upto higher Secondary classes.
- (ix) that the concession is allowed only in respect of children who are enrolled in :—
 - (a) a school which is recognised by the Department of Education or educational authorities in whose jurisdiction the school is situated;
 - (b) a school which prepares students for Matriculation Examination conducted by a University and which is affiliated to and is recognised by such a university; or
 - (c) a school which is affiliated to Central Board of Secondary Education, New Delhi.
- (x) this allowance is not admissible if the children are studying in any foreign country.
- (xi) An Indian School shall be held to be a school of non-requisite standard for Anglo-Indian Children and vice-versa.

4.20 TUITION FEE

The reimbursement of tuition fee in respect of children of Government servant is admissible under the orders of the Govt. of India, Ministry of Finance, Department of Expenditure letter No. 13(6).E.II(8)/73 dated 29-10-1973 as amended from time to time. While conducting internal audit, the following points should be taken into consideration :—

- (1) that the register of claims in the prescribed form is being maintained by the Head of Office and all columns are properly filled in and payments are recorded correctly under proper attestation.
- (2) that the tuition fee is paid only to employees who are permanent, quasi-permanent or temporary with not less than one year of continuous service and whose pay does not exceed limits specified from time to time.
- (3) that the tuition fee is not paid for more than two academic years in the same class.
- (4) that scholarship received, if any, should be deducted from the amount of claim of tuition fee. If scholarship received by the child is more than tuition fee, the reimbursement of tuition fee is not to be allowed.
- (5) that the concessional rate of tuition fee has been allowed to the official where two children of the Government official are studying in the same school or its branches in the same town even if the concession has not been availed of by the official. The reimbursement will be at full rate (subject to ceiling) for the child studying in the higher class and at concessional rate (limited to $1/2$ of the ceiling limit) in respect of other child.
- (6) the concession is not allowed in respect of a child for whom C.E.A. is being paid.
- (7) the child for whom tuition fee is allowed is enrolled in a recognised school.
- (8) that the reimbursement is restricted only to tuition fee and will not cover special fee like library fee, games fee, admission fee, extra curricular activity fee etc. which have to be borne by the Government official. Moreover the reimbursement should not exceed the rates of tuition fee approved by the Govt. of the area for Govt. schools.
- (9) that the official has claimed tuition fee in the prescribed form and is accompanied by a certificate

from the Head of the school in the prescribed form at the time of initial claim and subsequently at the beginning and in the middle of each academic year.

4.21 OVERTIME ALLOWANCE

The overtime claim should be examined to see :—

- (i) that overtime duties shown in the claim agrees with the concerned records and the same has been sanctioned by the competent authority.
- (ii) that O.T.A. has been allowed to the officials in accordance with the orders in force from time to time.
- (iii) that O.T.A. is not allowed to any Gazetted Officer.
- (iv) that the register is being maintained properly.
- (v) that O.T.A. paid to an employee during a month has not exceeded $\frac{1}{3}$ rd of his monthly emoluments. By "emoluments" means pay as defined in FR 9(21) and all allowances including winter allowance and city compensatory allowance but excluding HRA, conveyance allowance, travelling/daily allowance, clothing/uniform allowance.
- (vi) that O.T.A. has been paid at the prescribed rates.

4.22 REGISTER OF MEDICAL CHARGES

With a view to keeping a watch over the claim of reimbursement of medical expenses preferred by Govt. servants the departmental officers are required to maintain a register in a prescribed form for recording full details of expenditure reimbursed to individual Government servants. In internal audit it should be seen :—

- (i) that the register is being maintained properly;
- (ii) the cost of only admissible medicines and injections as per Medical Attendance Rules, is reimbursed;
- (iii) the bills are countersigned by the controlling officer where DDO is not Head of the office.

4.23 BILL REGISTER

Every D.D.O. is required to maintain a bill register. In examining the bill register it should be seen:—

- (1) that every bill sent to Pay & Accounts Office or to cheque drawing DDO has been entered in the bill register.
- (2) that the bills are entered in a chronological order and on the day on which they are actually signed by the D.D.O.
- (3) that all the columns provided in the register are filled in and entries made therein are attested.
- (4) the dates of encashment of bills have been indicated and the amount of cheque alongwith the cheque No. & date has been indicated in the bill register.
- (5) that the register is reviewed monthly by the Head of office.

4.24 T.A. BILLS

The following points should be borne in mind while conducting audit of T.A. Bills :—

- (1) that the appropriate columns have been filled in and the bill is signed by the controlling officer as well as by the Drawing & Disbursing Officer.
- (2) that the claims have been correctly worked out.
- (3) that the prescribed certificate has been furnished by the claimant.
- (4) that the purpose of journey and the pay of the official has been indicated in the bill.
- (5) that the claim has been preferred within one year from the date on which it became due and the unutilised amount of T.A. advance is refunded immediately after completion of the journey.
- (6) that the amount of advance drawn, if any, by the claimant has been adjusted in full.

4.25 LEAVE TRAVEL CONCESSION

The following important points may be seen during internal audit of payments of Leave Travel Concession :—

- (i) that the declaration of home town has been received from each official and recorded in the Service Book, keeping in view also the orders issued by the Ministry of Personnel and Training, Administrative Reforms and Public Grievances and pension vide their O.M. No. 31011/2/84-Estt.(A) dated 11-7-85.
- (ii) that the declaration of home town once made has not been allowed to be changed more than once during the service.
- (iii) that the concession is not allowed to any Govt. Servant or his family members where the official has not completed one year's regular service as on the date of journey performed by him or by his family, as the case may be.
- (iv) that this concession to home town is allowed only once in a block of two calendar years commencing from 1-1-56 i.e. 56-57, 58-59, & 60-61 & so on.
- (v) that no Govt. Servant undertakes the journey in a chartered bus, van or other vehicles, which are owned by private operators (Effective from 11-7-85).
- (vi) that no Govt. Servant undertakes the journey in private cars (the cost of propulsion being borne by Govt. Servant himself) (effective from 11-7-85).
- (vii) that advance granted to the official, if any, has been adjusted in full.
- (viii) that no civilian Govt. Servant avails himself of Leave Travel Concession for journey to any place in India for more than once in a block of 4 calendar years commencing from 1974-77, 1978-81 and so on.
- (ix) that there is no bar for the Govt. Servant and his family members to visit the same place or different places of their choice (anywhere in India).

- (x) that the leave travel concession for journey to any place in India is allowed only in lieu of and in adjustment against the leave travel concession to the home town including concession, if any, carried forward to which a Govt. Servant may be entitled at the time of journey to any place in India is undertaken.
- (xi) the official is required to submit his adjustment bill within one month after completion of the journey.

4.26 CENTRAL GOVT. EMPLOYEES GROUP INSURANCE SCHEME, 1980.

The original scheme which was introduced w.e.f 1-7-1977 has since been replaced by a new Group Insurance Scheme. This new scheme has come into force w.e.f. 1-1-1982. The following points should be seen by the inspection parties :—

- (i) that Head of the office is maintaining a Register of members in the prescribed form.
- (ii) that nominations have been obtained by the Head of office from each member, that they have been pasted in the Service Books of the officials and that entries regarding the receipt of nominations have been made in the Service Books.
- (iii) that the subscription is being recovered from the salaries of the members through regular pay bills at the following rates :—
 - Group 'A'—Rs. 80/- p.m.
 - Group 'B'—Rs. 40/- p.m.
 - Group 'C'—Rs. 20/- p.m.
 - Group 'D'—Rs. 10/- p.m.
- (iv) that in the case of employees entering government service in a month other than January falling after January, 1982, the subscription for insurance cover alone has been recovered at the rates i.e. at the rate of Rs. 3/- p.m. for every Rs. 10,000/- insurance

cover upto December that year and thereafter at normal rates as per orders contained in the Central Govt. Employees Group Insurance Scheme, 1980.

- (v) that in case of death of a member, the insurance money has been paid correctly to the nominee at the following rates :—

Group 'A'—Rs. 80,000/-

Group 'B'—Rs. 40,000/-

Group 'C'—Rs. 20,000/-

Group 'D'—Rs. 10,000/-

In addition, the member would be allowed the amount from the Saving fund at the prescribed rates.

- (vi) that the amount of subscription under the old scheme has been credited to employees' provident fund accounts as per orders on this subject (Discounted value is to be allowed).

4.27 LOANS AND ADVANCES TO GOVT. SERVANTS

General conditions to be observed by the departmental authorities while granting advances to Government servants are laid down in section I of chapter 14 of G.F.Rs. The special conditions governing different kinds of advances are contained in sections II to XVII of the same chapter of G.F.Rs. During audit, it should be seen that the conditions governing the grant of advances are fulfilled. The drawing and disbursing officers also maintain certain basic records i.e. applications of loans, valuation reports of properties offered as security, enquiry reports, sanction for loans, payment vouchers for loans alongwith acknowledgement of concerned loanee, security bonds, loans ledger etc. in connection with the payment and recovery of these advances. The records pertaining to loans and advances should be examined to see :—

- (i) that the applications for loans are obtained in the proper form and contain all the required details and documents essential for sanction of loans.
- (ii) that the loan had been sanctioned by the competent authority and that the sanctioning authority acted in

conformity with the general or special conditions governing grant of different kinds of advances.

- (iii) that in case of festival advance it was sanctioned to a person in accordance with orders in force from time to time and was not granted more than once in a financial year to a Govt. servant.
- (iv) that in case of cycle advance it has been sanctioned to a person in accordance with orders in force from time to time.
- (v) that in case of advance for purchase of Motor Car it should be seen that :—
 - (a) agreement and mortgage bond in prescribed form have been executed by the Government servant;
 - (b) the vehicle is comprehensively insured from the date of its purchase and is kept so insured till the advance together with interest is fully repaid;
 - (c) mortgage bond is kept in the safe custody of the sanctioning authority.
- (vi) In case of advance for purchase of house it should be seen :—
 - (a) that agreements and mortgage bonds have been executed by the concerned Government Servants.
 - (b) that the house purchased or constructed with the Govt. advance is, immediately on its completion or purchase, insured with L.I.C. for a sum not less than the amount of advance and is kept so insured against damage by fire, flood, lightning till the advance and interest thereon is fully repaid to Govt.; that the insurance policy is deposited with the head of office and the premium receipts produced for inspection annually.
 - (c) mortgage bond is kept in the safe custody of the sanctioning authority.

- (vii) that all recoveries are made in accordance with the schedule laid down in the sanction and that in case of default, action is taken to recover the instalment with penal rate of interest fixed by the authority sanctioning that loan.
- (viii) that the interest is calculated correctly as per orders of the Govt. of India as amended from time to time.
- (ix) that whenever a Govt. servant is transferred to another office, full particulars of the advances, if any, are correctly noted in his last pay certificate.
- (x) that the amount of advance sanctioned did not exceed the prescribed limit.
- (xi) necessary certificates of utilisation of advances, execution of mortgage deeds, etc. are furnished to Pay and Accounts Office concerned.
- (xii) the Registers and Broad-sheets in respect of each kind of advance are correctly maintained.

4.28(A) STAFF CARS (GOVT. VEHICLES)

In respect of offices maintaining staff cars/vehicles, the internal inspection party should see that following records are maintained :—

- (i) Log Book for each staff car in form SY. 263.
- (ii) A register of repairs and replacements indicating the cost and dates.
- (iii) A register showing the cost of petrol, Mobil Oil etc. consumed and all incidental expenditure.
- (iv) An inventory of equipment.

4.28(B) LOG BOOKS

While scrutinizing the log books and other records the following points should be borne in mind :—

- (i) It is maintained in proper form SY 263.

- (ii) The entries made in the log book are in ink.
- (iii) The entries of mileage at the beginning of the journey and also at the completion of the journey are noted by the officers using the staff cars themselves except in the case of officers of the rank of Joint Secretary and above where these entries may be made by their Private Secretaries/Personal Assistants.
- (iv) That log books are scrutinised by the Head of office (or senior officer of the rank of Joint Secretary in Secretariat offices) to ensure that there is no misuse.
- (v) That the log books are closed at the end of each month, and summary showing details of duty and non-duty journey performed during the month is prepared in the prescribed proforma.
- (vi) That the staff cars are used for bonafide official duties at headquarters.
- (vii) That staff cars have not been taken outside headquarters without the approval of the competent authority.
- (viii) That staff cars are not used for non-duty purposes to the places of entertainment, public amusement, playgrounds, pleasure trips etc. and by officers on leave.
- (ix) That the concurrence of the Ministry of Finance has been obtained for all cases of replacement of staff cars.
- (x) That the average monthly consumption of petrol/diesel per kilometre is calculated at the end of each month and that this average is not on the high side.
- (xi) The cost of repairs and replacement is not on the high side.
- (xii) That the replacement of the same parts are not frequent.

- (xiii) The reasons for frequent repairs/breakdown of the vehicles are not such as to indicate any negligence on the part of the drivers.
- (xiv) All the bills paid towards the cost of petrol are entered in the P.O.L. Register as well as in the log book and that the entries agree.
- (xv) It should also be seen that D.D.O. has recorded the following certificates on the contingent bills relating to payment of petrol :—
 - (a) Certified that the quantity of petrol purchased has been entered in the log book of the respective vehicle.
 - (b) Certified that the necessary recoveries have been made/are being made from the parties concerned who have used the staff car for non-duty journeys.
- (xvi) That all non-duty journeys are charged at the rates specified in rule 21 and 22 of the staff car rules and the charges at these rates are recovered promptly and for the distance covered by the staff car from the time it leaves office/garage till it returns to office/garage.
- (xvii) That the controlling officer has personally checked the inventory of equipment every month and any loss arising out of negligence is made good through appropriate recovery.
- (xviii) That no cleaner has been appointed for cleaning of the staff car.
- (xix) That no extra allowance is paid to staff cars drivers for cleaning and washing of the cars as this forms a part of their duty.
- (xx) That the staff cars are not parked at the residences of the drivers or of the officials.

4.29 (A) HIRING OF OFFICE ACCOMMODATION

In case of offices housed in hired buildings, the inspection party should see the following :—

- (i) that the accommodation occupied is not in excess of accommodation required according to the prescribed scale.
- (ii) that a certificate of reasonableness of the rent being paid has been obtained from C.P.W.D.
- (iii) that the lease deed has been drawn up in the standard form prescribed by the Govt. of India and no clauses detrimental to the interest of Government such as payment of House Tax or other tax have been incorporated in the lease deed.
- (iv) that the sanction of the competent authority for hiring of the accommodation and of rent to be paid has been obtained.

4.29 (B) USE OF PORTION OF OFFICE BUILDING FOR RESIDENTIAL PURPOSES

In some of the field offices under the Ministry of Agriculture, Heads of offices and others have been authorised to use a portion of the office premises for residential purposes. In such cases, it should be seen that there exists a proper sanction of the competent authority indicating the rent recoverable from the officer and also the electricity and water charges etc. if no separate meters have been installed in the building. It may also be seen that such officers are not drawing any house rent allowance.

4.30 STAFF QUARTERS

Some field offices such as Cattle Breeding Farms have staff-quarters for their staff. The following checks may be exercised :—

- (i) that the register of staff quarters as well as register of capital and revenue expenditure on these quarters are maintained properly.
- (ii) see that the rent demand register is maintained properly and necessary recoveries are effected from the allottees of the Govt. accommodation.

- (iii) that the allotment is made on the basis of allotment rules which are duly approved by the competent authority.
- (iv) that no quarter is left unallotted for an unduly long period.

4.31 REGISTER OF REST-HOUSE CHARGES

Certain offices have rest house facilities. The inspection parties should see the following points while checking the records of these Offices :—

- (i) that a register for recovery of lodging charges is maintained in the prescribed form and charges so recovered are credited to Govt. account immediately.
- (ii) that the rates so charged have been fixed with the prior approval of the competent authority.
- (iii) the proper receipts are issued to officials in Form T.R.5 (now GAR-6).
- (iv) the register is reviewed regularly by a responsible officer.

4.32 STORES PURCHASES

Purchase should be examined to see that :—

- (i) they are properly sanctioned by the competent authority and are made in the most economical manner in accordance with the definite requirements of the public service and the purchases are not split up to avoid the necessity for obtaining the sanction of the higher authority with reference to the total amount of the order.
- (ii) whether the purchases have been effected by single tender or negotiations. If so, sanction of the competent authority has been obtained and reasons recorded for resorting to this method of purchase.
- (iii) all tenders were opened on the due date and numbered and initialled with date by the officer opening them.

- (iv) the comparative statement duly signed is kept on record and has been checked with original tenders. A test check of some of the entries of comparative statement with the original tenders should be conducted by the party.
- (v) whether any tender received late has been incorporated in comparative statement and considered, and whether orders of the competent authority have been obtained to the consideration and acceptance of that late tender.
- (vi) the lowest offer has been accepted and if not, the reasons recorded for rejecting the lowest offer are adequate.
- (vii) the successful tenderer has not indirectly derived an advantage over the other tenderers by insertion of special conditions which have the effect of raising the rates quoted by him.
- (viii) no stores of defective and inferior nature are accepted and certified to be satisfactory in quality.
- (ix) the specifications indicated in the quotation agree with those shown in the notice inviting tender.

4.32.1 STORES AND STOCK ACCOUNTS

It should be seen that :—

- (i) the registers of dead stock, stationery, consumable stores, packing material, valuables have all been maintained in the prescribed forms and each article is accounted for in the appropriate register;
- (ii) the closing balances of previous years have not been tampered with and have been correctly carried over to the current year;
- (iii) receipts and issue entries are supported by documentary evidence such as suppliers' bills, transfer from/to other offices, issue vouchers, loss statements;

- (iv) full particulars of all stock articles are entered in the stock registers as are sufficient to identify the articles, and articles of similar description, such as tables, chairs, carpets, etc. are put into separate categories, each category comprising articles of the same measurement, make and manufactured with the same metal or wood or other material;
- (v) articles of dead stock issued for temporary use either within or outside the office are not struck off the ledger charge and their return is watched through a subsidiary list or register;
- (vi) the stocks are physically verified periodically, surpluses noticed are brought on stock immediately and losses or deficiencies investigated with a view to their regularisation under orders of the competent authority;
- (vii) the officer verifying stock is independent of the superior executive in-charge of the stores and that verification is never left to low paid subordinates;
- (viii) losses are not written off piecemeal to avoid sanction of the higher authority;
- (ix) balance of articles are not held in excess of the requirements for a reasonable period or in excess of any prescribed maximum limit;
- (x) stores found surplus, obsolete or unserviceable in the course of inspection are declared as such and ordered to be disposed of by an authority competent to do so indicating the manner of disposal;
- (xi) proper records for stores declared surplus, obsolete or unserviceable are maintained for watching disposal thereof and when such stores are disposed of, the instructions laid down in GOI decisions below rule 124 of GFR are followed;
- (xii) stores acquired/purchased are utilised within the reasonable time for the purpose for which they were purchased/acquired; and
- (xiii) totals and closing balances have been correctly worked out and there are no erasures/overwritings.

4.32.2 PHYSICAL VERIFICATION OF STORES

In regard to physical verification of stores it should be seen during local audit that physical verification of all the stores is done at least once a year according to the principles prescribed in Rule 118 of GFRs by a person authorised to do so, and a certificate of verification of stores with its results is recorded on the inventory account. The inspecting officer (internal audit) should not, unless specially authorised to do so, assume responsibility for physical verification of stores. However, he has the right to investigate all the balances of the stores, if any, discrepancy in the store accounts suggests that such action is necessary. He should not only see that a certificate of physical verification is recorded periodically by a responsible authority but should also satisfy himself that the system of verification is adequate and proper, the discrepancies found on stock taking are properly investigated and adjusted and that the staff responsible for verification is independent of the staff responsible for physical custody of stores or for keeping accounts of stores.

4.32.3 DISPOSAL OF SURPLUS AND OBSOLETE STORES

In regard to sale and disposal of stores it should be seen during internal audit/inspection :—

- (i) that the prior sanction of the competent authority is obtained not only to the declaration of stores being obsolete, surplus, or unserviceable but to its disposal. Such authority shall specify the manner in which it is to be disposed of, by sale or otherwise.
- (ii) each order declaring the stores as obsolete, surplus or unserviceable shall specify in full the reasons for declaring them as such and proper records of all such stores are maintained for watching their disposal.
- (iii) sale proceeds of stores are deposited into the bank for credit to Govt. account.

4.33 G.P.F. OF GROUP 'D' EMPLOYEES

The Provident Fund Accounts of Group 'D' employees are required to be maintained by the Heads of offices as per procedure laid down in the M/o Finance, Deptt. of Expenditure O.M.

No. 52(9)EV/60, dated 27-6-60 as amended from time to time. During inspection, the following points should be borne in mind:—

- (i) that the general index register is maintained in prescribed form ATM.65 (now CAM.44) and kept upto date.
- (ii) that no number has been allotted to a member unless his particulars are noted in the general index register and ledger.
- (iii) that nomination has been received from each subscriber, entry to this effect has been made in the ledger under proper attestation and the nominations are kept in the safe custody of the Head of office.
- (iv) that the provident fund ledgers are maintained in the prescribed form i.e. ATM.75 (now CAM-47) duly bound and machine numbered.
- (v) that the name and designation of the subscriber and his account number has been recorded in the ledger.
- (vi) that the pay of the subscriber as on 31st March of each year has been noted in the columns prescribed for this purpose.
- (vii) that the subscription towards G.P.F. is not less than 6% of the pay as on 31st March.
- (viii) that no subscriber discontinues his subscription to G.P.F. except in case of suspension and during leave carrying less than half pay.
- (ix) that the subscriptions and withdrawals have been correctly noted in the ledger.
- (x) that the ledgers are closed every year and interest has been correctly calculated; that bonus has been allowed only to eligible subscribers in accordance with the rules/orders issued by the Govt. from time to time.
- (xi) that the broadsheet is maintained in the prescribed form i.e. ATM.76 (now CAM-48) and posting is made from ledgers and not from schedules and is closed every month, latest by 5th of the following month.

- (xii) that the totals of credits and debits in the broad sheet agree with the total of G.P.F. deductions made through Pay Bills and the total payments made out of Provident Fund.
- (xiii) that the amount of interest and bonus, if any, allowed to Group 'D' officials during the financial year has been intimated to Pay and Accounts Office for adjustment by the Pay and Accounts Officer.
- (xiv) that the Pass Books have been issued to each subscriber instead of yearly statement.
- (xv) that the quarterly statements of debits and credits are furnished to Pay & Accounts Officer regularly.

4.34 DEMAND REGISTER

The demand register should be examined to see that :—

- (i) all demands have been noted in it.
- (ii) all sums due are fully and punctually realised and checked against demand.
- (iii) full name and complete addresses of the persons from whom taxes, fee, or other revenues are due, have been noted in the register.
- (iv) all amounts shown in the counterfoils of receipts granted to the parties have been noted in the register and also entered in the cash book.
- (v) the closing balances of unrealised demands of the previous years have been correctly brought forward.

The demand register may also be checked with other allied registers to ensure correctness of the entries made therein.

4.35 GRANTS-IN-AID

The audit of grants-in-aid consist of :—

- (i) scrutiny of the method by which the sanctioning authority satisfies itself of the fulfilment by the grantee of the conditions precedent to the issue of sanction.

- (ii) test check of the accounts or the returns submitted by the grantee to see that the conditions were actually fulfilled.

The test check referred to above is conducted normally in the office of the sanctioning authority. It should be seen that before sanctioning grants-in-aid, the sanctioning authority has satisfied itself that proper arrangements exist for the scrutiny of the accounts of the grantees and that rules have been framed to ensure that grants are utilised by the grantees for the purpose for which they are intended and that unspent balances are refunded to Govt. after the close of the financial year.

The following points should receive special attention of Inspection Parties :—

- (i) the grant-in-aid was properly spent on the specified objects within the time allowed in the sanctioning order or within a reasonable time, if no limit has been fixed.
- (ii) money has not been unnecessarily drawn in advance of the requirements to avoid lapse of funds.
- (iii) the conditions attached to the grants-in-aid are fulfilled.
- (iv) any portion of the amount of grant-in-aid which is not ultimately required for expenditure upon the specified object is promptly refunded to Government and that no unspent balance of the previous grant-in-aid, if any, is lying with the grantee.
- (v) that the register of grants-in-aid is maintained by the sanctioning authority in a proper form envisaged in G. O. I's decisions No. (3) and (4) below rule 150 of G. F. Rs. and all columns provided therein are complete and correctly filled in.

4.36 SERVICE RECORDS

4.36.1 SERVICE BOOKS :—Heads of offices are required to maintain service books and leave account of all the regular employees of their offices. The following points should be borne in mind while examining the Service Books :—

- (i) the service books are maintained in the prescribed form.
- (ii) the date of birth has been indicated in words and figures on the first page of the service book.
- (iii) all entries on the first page of service book are complete and are reverified after the expiry of five years.
- (iv) certificates of verification of services are recorded by the Head of the office in the service books every year.
- (v) declaration of Govt. servants electing the scales of pay as also the statements showing the fixation of initial pay in the relevant scales of pay in support of the entries made in the service books are pasted in the service books.
- (vi) that service books are shown to the officers and members of staff every year and their signatures obtained in token of their having inspected and accepted the entries made therein.
- (vii) that the entry in the pay column of the service book agrees with the pay drawn in the pay bill for the month selected for detailed check.
- (viii) the increments have been granted correctly and regularly where there is a stage for crossing of efficiency bar in the pay scale, the same has not been granted without obtaining a certificate of fitness to cross efficiency bar by the competent authority.
- (ix) entries regarding confirmation, quasi-permanency, suspension and other forms of interruption in service are made in red ink (vide para 11 of the instructions for the maintenance of service books).

- (x) nomination in respect of G.P.F., D.C.R.G., family pension, insurance etc. have been obtained in the prescribed form and pasted in the service book.
- (xi) the declaration of details of family members in form 3 has been obtained from the official and pasted in the service book.
- (xii) the declaration of the Home Town is obtained and pasted in the Service Book.
- (xiii) The G.P.F. A/c number allotted to the official has been recorded in the service book.
- (xiv) Service books of officers are sent to the Pay and Accounts Officer for making necessary entries therein on their transfer to foreign service and on their retransfer to Govt. service.
- (xv) the Head of the office inspects annually at least 10% of the service books and leave accounts and initials them in token of having done so (G.O.I. decision No. 3 below SR. 199).

4.36.2 LEAVE ACCOUNTS

It should be seen in particular that :—

- (i) the leave accounts are maintained in the prescribed form.
- (ii) credits afforded to leave accounts are correct.
- (iii) the leave availed of by an official has been debited correctly and balance worked out under proper attestation.

4.37 GUIDELINES FOR DETECTION OF DEFAULTS AND FRAUDS

The process of audit detailed in the preceding paras should be taken only as a guide to intelligent audit and in no case should it be considered as limiting the scope of the auditor's duties. In fact, the efficiency of internal audit depends largely on the intelligence, thoroughness and resourcefulness which are brought to bear

on it. Even an apparently minor defect or irregularity might conceal a potential fraud or misappropriation which may come out through intelligent probe. An illustrative list of irregularities which are likely to conceal potential frauds is given below for guidance :—

- (i) Erasures, overwritings, interpolations, alterations and unattested corrections in figures, pass orders etc. in account books and registers, bills presented at Pay and Accounts Offices, invoices, sales bills, receipts etc.
- (ii) Removal of pages from account books and registers.
- (iii) Tamperings in totals and carry-forward of totals, specially in cash books and stock books.
- (iv) Errors in totalling in bills.
- (v) Errors in carry over figures from subsidiary registers to main register.
- (vi) Delays in disbursement of money drawn from Bank to payees (including moneys recovered against court attachment, undisbursed salaries, etc.).
- (vii) Non-availability of challans in support of remittance entries in cash book.
- (viii) Tampering of figures in challans.

NOTE : Fictitious entries of remittances in Cash Book will be brought to light during the verifications of credits for remittance for the selected month with corresponding month's Bank scrolls.

4.38 REPORTING OF LOSSES

Any loss or shortage of public moneys, departmental revenue or receipts, stamps, stores etc. held by, or on behalf of, Government which is discovered in an office shall be immediately reported by the subordinate authority to the next higher authority, and Accounts Officer (cases involving losses and shortages not exceeding Rs. 2000/- in each case need not be reported to the

Audit Officer and the Accounts Officer unless there are, in any case, important features which merit detailed investigation and consideration).

All cases involving loss of Government money arising from erroneous or irregular issue of cheques or irregular accounting of receipts and circumstances leading to (enabling) the loss will also be reported to the Controller General of Accounts so that he could take steps to remedy defects in rules or procedures, if any, connected therewith, which might have facilitated the occurrence of the act/event.

CHAPTER V

INTERNAL AUDIT OF PAY AND ACCOUNTS OFFICES

5.1 Besides the general checks vide para 3.1.1 and chapter IV, the internal audit parties should see that the rules, procedures and instructions contained in Central Govt. Accounts (Receipts and Payments) Rules, 1983, Civil Accounts Manual; Accounts Codes; General Financial Rules etc. in regard to payments and accounting have been followed. In particular, checks enumerated in the following paragraphs should be carried out.

5.2 PRE-CHECK PAYMENTS

It should be seen that bills presented to the Pay and Accounts Office are passed for payment after exercising the checks, prescribed in Central Govt. Account (Receipts & Payments) Rules 1983 and Civil Accounts Manual. Besides general checks like provision of funds, existence of sanction by the Competent Authority and expenditure conforming to the principles laid down in General Financial Rules, the checks that should be exercised in respect of different categories of bills have been indicated in Chapter—IV of Civil Accounts Manual.

The inspection parties will carry out cent percent check of vouchers pertaining to the months selected for detailed check.

5.3 ESTABLISHMENT PAYMENT SECTION

While conducting the internal audit of establishment payment and other pre-check payment sections, it should be seen by the inspection parties that the checks prescribed in *Chapter IV of Civil Accounts Manual* are being exercised by the Pay and Accounts Offices before making payments of bills. Some of the important points to be seen by the inspection parties during audit of the accounts records of these sections are given below :—

- (i) that fly-leaves register has been opened for all Group 'A' Officers and DDOs and selection register is maintained by PAO; that the S.L.O. register for

numerical checks of the staff as well as for gazetted staff is being maintained and necessary checks are being exercised according to the instructions issued by C.G.A., Ministry of Finance.

- (ii) that D.V. (Disbursement Voucher) register is being maintained properly and in the prescribed form in each payment section. D.V. Nos. and cheques Nos. have been indicated in the relevant col.; "total" slips are forwarded to Cheque Section alongwith the vouchers for the preparation and tallying of the Daily Report.
- (iii) that the periodical charges register has been maintained properly in respect of each DDO and the sanctions have been noted correctly under proper attestation.
- (iv) that the bills received in the Pay and Accounts Office for payments are passed promptly, and cheques prepared by the Cheque Section within the prescribed time. Cases of delay in passing of the bills by the Pay & Accounts Offices should be reflected in the Inspection Report.
- (v) that the weekly, fortnightly, monthly reports are prepared timely and submitted to PAO for his approval.
- (vi) that the post check of paid vouchers is being conducted by the Pay and Accounts Offices as per procedure prescribed in Civil Accounts Manual.
- (vii) that specimen signatures of the DDOs have been obtained and pasted in the register.
- (viii) that the Objection Book is maintained properly and closed regularly. Items which are outstanding since long are pursued by the PAO with the Departmental Officers at proper level.
- (ix) that the calendar of returns is being maintained in each Pay and Accounts Office.
- (x) that when a regular PAO is on leave and there is no other PAO to pass the bills and to sign the cheques, the bills passed and cheques issued during leave

under the signature of the authorised AAO/JAO have been reviewed by the PAO on return from leave and a certificate to this effect has been furnished to Principal Accounts Officer.

5.4 EXPENDITURE CONTROL REGISTER

While examining the Register, it should be seen :—

- (i) that expenditure control register is being maintained in prescribed form and columns are completely filled in.
- (ii) that the budget provisions under each sub-head have been noted.
- (iii) that the progressive totals have been struck so as to check that budget under each sub-head has not exceeded.
- (iv) that the figures as per E.C.R. are being agreed with compilation section every month and discrepancies, if any, noticed, have been got rectified.
- (v) that all inward claims received by sections are first noted in E.C.R. before payment is made.

5.5 FOREIGN SERVICE CONTRIBUTIONS

The following points should be kept in view while scrutinising the records in respect of foreign service contributions :—

- (i) it should be seen that a register to watch leave salary and pension contributions has been maintained properly and in the prescribed form and all columns have been properly filled in.
- (ii) the rates of leave salary and pension contributions have been intimated correctly to the borrowing departments. Few cases may be test-checked so as to ensure that the rates of foreign service contributions are correctly worked out.
- (iii) leave salary and pension contributions are recovered in full.

- (iv) that penal interest has been recovered where the receipt of foreign service contribution has been delayed in terms of para 9.2.1 of CAM.
- (v) that the receipt has been credited to the correct head of account.
- (vi) in case of non-receipt/short receipt of foreign service contribution, cases for recovery from the borrowing departments are pursued vigorously by the PAO.

5.6 BROADSHEETS OF LONG-TERM ADVANCES

The following points should be seen while examining the broadsheets of Long-term advances :—

- (i) it should be seen that Broadsheet of H.B.A., M.C.A./ Scooter Advance are being maintained properly and in the prescribed form.
- (ii) entries of debits have been attested by the Pay and Accounts Officer.
- (iii) the posting of debits and credits have been made from the schedules and is up-to-date.
- (iv) (a) It must be seen whether the grand total of all debits (Col. 5) and credits (excluding the interest, recovery posted in red ink) posted against individual officer during the month are agreed with accounts figures appearing under the Head "7610" in the monthly classified abstract/consolidated abstract by drawing up an abstract at the end of each month in the following form :—

O.B.	Debit	Credit	Closing Balance
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Broadsheet figures

Accounts Ledger figures

Difference

Whether any analysis of the differences between ledger and broadsheets are made and the action taken indicated in the broadsheet? The broadsheet should be submitted to the P.A.O. on 20th of each month under para 4.36 of the Civil Accounts Manual.

- (iv) (b) At the end of the year it should be seen whether total recoveries are posted in column No. 19. Whether the total outstanding balance against each officer is recorded in column No. 20? Whether communication has been issued to the various DDOs regarding the outstanding balances against each officer and a certificate of acceptance of balances obtained from them through DDO in terms of sub-para (v) to para 4.30.1 of C.A.M. and the same is noted in column No. 21 of the Broadsheet?

Whether the grand total of all the outstanding balances shown against all the officers has been worked out and agreement is secured with what is outstanding under the long-term advances below Major Head "7610" in accounts at the end of the year? In case of differences, if any, whether the differences have been analysed and any action has been taken for their clearance? Whether carry-over of all the outstanding balances shown in col. 20 are brought forward in col. 5 in subsequent year?

It should be seen whether the above practice is followed by the P.A.O.

- (v) that the balances in respect of outgoing officials and incoming officials have been transferred to/received from the concerned PAO/A.G.
- (vi) that the balances pertaining to pre-departmentalisation period have been received in all cases and accepted by the PAO and adopted in their books.
- (vii) in case of short-term advances recoverable in less than 60 instalments, the monthly abstracts in TR-62 B (now GAR-39) in respect of each advance i.e. Festival Advance, Cycle Advance, Flood

Advance etc. have been received in the Pay and Accounts Office from the DDO concerned every month, reconciled and checked and filed in a systematic way. If there is any difference in the opening balances of the next month or any other discrepancy noticed during checking, the same should be got reconciled.

5.7 GENERAL PROVIDENT FUND ACCOUNT

The following points should be kept in mind while scrutinising the G.P.F. Ledgers :—

- (i) special accounts records maintained in Provident Fund Section i.e. General Index Register, Register of nominations, general ledgers, register of assigned policies should be checked to see that these have been properly maintained and posting in the ledger is up-to-date.
- (ii) all cases of final payments of Provident Fund in the month selected for detailed audit should be checked to ensure that the payments, including bonus and interest etc., have been made correctly.
- (iii) it must be seen that Provident Fund broadsheet is closed in time and maintained properly; that totals of debits/credits agree with the total amount booked by compilation, squaring up of the broadsheet(s) at the end of each year has been done and tallied with the total figures under concerned head of account at the close of the financial year.
- (iv) it must be seen that the issue of annual statements to the subscriber is not delayed.
- (v) it should be seen that missing credits/debits pertaining to pre-departmentalisation period have since been adjusted/are being adjusted and whether action to reduce the number of missing credits/debits has been taken up with the DDO.
- (vi) interest calculation may also be checked in a few cases with reference to rates for a particular year.

- (vii) whether any effort to clear the unposted items and crediting to the subscribers accounts have been made by the PAO.
- (viii) that the physical verification of nominations and policies financed from G. P. F. has been conducted.
- (ix) that the periodical review of all the ledgers have been conducted with the intention that all the accounts are checked within a period of three years.
- (x) that the reasons for non-recovery of G. P. F. contribution and refund of G. P. F. advances etc. have been indicated in the ledger wherein the contributions were not received.
- (xi) that the transfer entry of interest and bonus have been incorporated in the same financial year.
- (xii) that the broadsheet of Group 'D' employees is maintained DDO-wise and totals agree with that booked by compilation section and also are being tallied with the quarterly statements of debits/credits received from the DDO.
- (xiii) that the balances carried forward in case of each subscriber in the broadsheet has been attested by the AAO/JAO.
- (xiv) that a certificate from the respective Heads of Offices regarding issuance of statements to all concerned has been received.
- (xv) normally there should not be any missing credits/debits in the post-departmentalised period. Internal Audit should monitor these cases and facts of such missing credits/debits should be reported with complete details pointing out the reasons which gave rise to such omissions.
- (xvi) when a subscription is made for the first time or a revised rate is adopted, it should be seen that the amount of subscription is within the minimum and maximum limits prescribed under the relevant rules of the fund.

5.8 PENSION

The inspection parties should exercise the following checks while examining the Pension cases :—

- (i) pension cases finalised during the month selected for detailed audit should be fully checked with a view to ensure that pension, commutation value, and as well as D. C. R. G. had been correctly authorised and there was no undue delay in finalising the pension case in Pay and Accounts Office.
- (ii) whether as required under Rule 56 of Pension Rules, a list of persons who are due to retire within the next 24—30 months has been received from the Head of the Department in Pay and Accounts Office.
- (iii) that a separate diary is being maintained for Pension and Commutation cases.
- (iv) provisional payment register is maintained in a proper manner and that the amount paid as provisional pension has been shown adjusted while issuing pension payment order (Disbursor's half to the Treasury Officer).
- (v) that the authority has been sent after affixing special seal.
- (vi) it must be ensured that proper records are being maintained in respect of those who are paid pension from Pay and Accounts Office, so that a pensioner may not claim his pension twice for any month.
- (vii) non-employment Certificate is attached with the bill of the retiree if he is in receipt of graded relief on pension.
- (viii) it must be seen that Government instructions to ensure timely processing and finalisation of pension cases as specified in Chapter VIII of C. C. S. (Pension Rules) are scrupulously observed both by the DDO and PAO and the PPOs are issued in advance of the date of retirement.

5.9 SETTLEMENT OF INTER-GOVERNMENTAL/INTER-DEPARTMENTAL TRANSACTIONS

Under the prescribed procedure, transactions arising in the accounts of Pay & Accounts Office which are adjustable by the Accounts Officer of another department are initially booked under the Head "8658—Suspense Accounts—PAO Suspense—Item adjustable by PAO/AG/Rly/Defence/P & T Accounts Offices". These are required to be settled in cash with the concerned office. In this regard it must be ensured that for the settlement of these transactions, a proper system exists in Pay & Accounts Offices. Normally, no balance should remain unsettled for a long period. The outstanding balances under these heads should be reviewed with a view to settle these transactions immediately. The internal audit party should see :—

- (i) that registers for the settlement of inward and outward accounts are maintained in the prescribed form and all the columns are completely filled in.
- (ii) the acknowledgement of cheques/demand Drafts issued in settlement of the accounts have been received and noted in the relevant columns.
- (iii) the claims outstanding are not very old. Where some recovery from the other party is due the claim has been prepared correctly and immediately.
- (iv) it should also be seen that broadsheet in respect of PAO—Suspense is maintained properly. While reviewing the broadsheet it should be seen whether all transactions recorded in the subsidiary registers are brought out in the broadsheets, the difference between the Accounts and Broadsheet figures are found analysed and action taken to clear the differences. The outward claim and inward claim register are to be closed every month and while so closing, the details of outstanding items should be indicated. It should be seen whether the total amount of outstanding claims so shown agree with what is outstanding as per the accounts. The broadsheet should be closed with full analysis by 20th of each month. It

should be seen whether the above procedure is followed.

5.10 PAYMENT SCROLLS—P. A. O. CHEQUE REGISTER

- (i) it must be seen that the payment scrolls alongwith the paid cheques are received from the bank daily/weekly (in respect of outstation DDs) by the Pay & Accounts Officer and the serial number of each entry in the scroll is recorded on the corresponding paid cheques accompanying the scroll. There should be running serial numbers of the payment scrolls for the year.
- (ii) the daily payment scrolls are checked in the P. A. O. in terms of para 1.15.2 of Civil Accounts Manual. One copy of scroll is returned to the concerned bank after recording certificate of correctness. If any discrepancy is found, the same has to be got corrected from the concerned bank.
- (iii) it is to be seen that on the basis of payment scrolls and paid cheques the entries in the register of daily memo of cheques delivered has been ticked off, the date of encashment has been noted against relevant entries and a list of outstanding cheques has been prepared.
- (iv) that the total amount of outstanding cheques at the end of each month has been reconciled with the balance outstanding under 8670—Cheques and Bills.
- (v) The PAO maintains personally a Register known as Accounts Officer's Check Register in form CAM 15. This register should be maintained by him separately for cheques drawn and creditable to Minor Heads, 'PAO Cheques' and 'Departmental cheques' as contemplated under paras 2.6.4 read with 3.5.2 of Civil Accounts Manual. In this register, the total daily issues and encashment of cheques and the balance of unpaid cheques at the end of each month is drawn out and the balance so arrived at should be compared with the total of the cheques outstanding as per list

of outstanding cheques. It should also be seen whether the PAO has independently tallied the balance so arrived in his books with the amount shown as outstanding, under the Suspense Head 'PAO Cheques'/'Departmental Cheques' exhibited in the accounts. If any difference is reflected, whether any action has been taken to analyse the difference and action taken for clearance of the same.

- (vi) that the broadsheet of PAO-Cheques is maintained properly and in the prescribed form and difference, if any, has been explained in full.
- (vii) that the bank scrolls of receipts and disbursement are posted in the Register of Reserve Bank Deposits/ Public Sector Bank Suspense daily/weekly. Receipts scrolls should be reconciled with the Weekly Accounts of Challans received from the DDO in terms of para 1.16.2 of Civil Accounts Manual.
- (viii) whether the PAO is following the procedure of reconciliation of Bank scrolls as laid down under para 2.1 to 2.9 of Chapter 2 of Manual of Bank Reconciliation.
- (ix) it should also be seen that a list of time barred cheques is prepared every month. Where any payment has been obtained against time barred cheque in any circumstances, matter is investigated to ensure that no double payment has been authorised by getting a fresh cheque.
- (x) the PAOs are supposed to exercise the following checks in regard to payment scrolls/monthly branch bank statements :—
 - (a) the paid cheques received in support of Bank scroll are linked with the entries in form PAO 21.
 - (b) the paid cheques with Bank scroll are genuine ones issued by PAO/DDO and are not time barred.

- (c) the amount of paid cheques tally with the amount shown in the Bank scroll.
- (d) as for receipts, the amount of scroll correctly relates to PAO/Cheque drawing DDO.
- (e) the amount of challan correctly relates to PAO/cheque drawing DDO.
- (f) correctness of total of payment/receipts in the scrolls is to be checked.
- (g) each and every discrepant item is noted in the register in form PAO (RBD) 1, and bank is addressed for rectifying the discrepancy. If the amended scroll is not received within a month, matter may be taken up at Branch Manager's level and at Controller's level if it is not settled within three months. The register is to be maintained separately for PAO and each DDO. If discrepancies are negligible, one register is sufficient.
- (h) on receipt of the monthly branch bank statements PAO/DDO-wise, the daily totals are checked with reference to daily scrolls and entries in register in PAO (RBD) 1. If the amounts in monthly statements differ from amount of the scroll, or for any day scroll has not been received, or item of daily scrolls has not been included in monthly statement or totals have been incorrectly struck, suitable action has been taken by PAO for rectification/settlement of the discrepancy in terms of instructions of the Manual of Bank Reconciliation.
- (i) for discrepancies noticed in monthly branch bank statement a register in form PAO (RBD) 2 is to be maintained by the P.A.O.
- (j) it should be ensured that the amount credited/debited to the Head 8658 PSB suspense agrees with the amounts of payments or receipts as shown in monthly branch bank statements after taking into account the discrepant amounts shown in the registers PAO (RBD) 1 and PAO (RBD) 2.

(k) it should be ensured that PAO is receiving the monthly branch bank statements from the P.S. Bank by the end of first week of the following months. The PAO should complete the verification of the monthly bank statements and get the discrepancies settled within 15 days of receipt of the branch bank statements.

(l) in case the missing scrolls are received within a month, it should be verified with reference to monthly branch bank statement. Otherwise the item in monthly Bank statement should be circled with the remarks "rejected as scroll was not received in spite of reminders". Against the verified items PAO would indicate the month of adjustment in account. Thereafter PAO will strike a total of the items for the accepted amounts and record it on all the 4 copies of the monthly branch bank statement. Two copies of monthly branch bank statements are sent to the Principal Accounts Office and two copies to the branch bank.

(m) chart showing the various steps through which the statement for a month is processed and time schedule thereto is annexed to Manual of Bank Reconciliation and should be followed by the PAOs.

5.11 (a) 8670-CHEQUES AND BILLS

Total amount of cheques issued by the Pay & Accounts Office or Cheque Drawing DDO in a month is booked in the accounts under the head "8670 Cheques and Bills" and this head is relieved to the extent of the amount of paid cheques as per bank scrolls. The outstanding amount under this head normally represents the amount of uncashed cheques only and should agree with the amount of uncashed cheques as per "Register of Cheques Delivered/Register of outstanding cheques." The internal audit party should ensure that the balance shown under "8670 Cheques and Bills" agrees with the list of outstanding cheques. The party should also see that the action to cancel the time barred cheques is also being taken by the Pay and Accounts Office as per prescribed procedure. Further, it should be seen whether a broadsheet for 'Cheques and bills' are maintained by the PAO. This broadsheet would indicate the differences between the accounts figures and the register of outstanding cheques. While scrutinising the broadsheet, it should be seen whether the differences between broadsheet & Accounts figures have been analysed and effective action has been taken for their clearance.

(b) 8672-PERMANENT CASH IMPREST

The Internal Audit should check whether the Register of P.A. (Form CAM 61) for the permanent advances sanctioned to the DDOs is maintained by the PAO. In addition to the register in form CAM 61 it should be seen that broadsheet is also maintained. It should also be verified whether acknowledgement of the officers holding the permanent advances to be obtained as on 31st March of the previous year in the month of April has been obtained and aggregate of outstanding so worked out from the register of permanent advances are tallied with the figures shown in Accounts (Ledger).

5.12 GENERAL

The internal audit party should exercise the following checks while conducting inspection of the Pay and Accounts Offices :—

- (i) that the correctness of classification of posting of items over Rs. 2500 and Rs. 10,000 have been checked and attested by AAO/JAO and PAO respectively.

Note.—In the cases of posting of challans (Receipts) relating to CBEC all items of over Rs. 20,000/- and fifty percent of the items above Rs. 1,000/- but below Rs. 20,000/- are checked by the AAO/JAO and all items for above Rs. 5000/- are checked by the P.A.O.

- (ii) that a certificate of reconciliation of departmental figures with that of PAO's figures has been furnished by the DDO to the concerned Pay and Accounts Office every month.
- (iii) that the PAO has reconciled the monthly payments/receipts worked out in the register of Public Sector Banks with a net amount derived from the monthly statement of disbursement and receipts from all concerned banks and a certificate in this regard has been recorded in the register. Thereafter payments/receipts for each month have been posted under 8658—Suspense Account—Public Sector Banks suspense on appropriate side in the classified abstracts.
- (iv) that the vouchers have been compiled on the day they are received from cheque section.

- (v) that the monthly accounts have been submitted to the Principal Accounts Office on due date.

Note :—Instances of delay in submission of monthly accounts should be appended to the report of each PAO.

- (vi) that the procedure prescribed for accountal and reconciliation of receipts with department figures is being followed. In particular, it must be ensured that the DDO's are furnishing weekly statement of receipts to the concerned PAO, reconciliation of these statements with the statements for receipts furnished by the bank is attended to and discrepancies if any, are settled.
- (vii) (a) It should also be seen whether a ledger in Form CAM 40 is prepared upto Sub/Detailed Heads as may be necessary based on the progressive figures booked in March (Supplementary) Accounts for each year after taking into account the effect of journal entry if any, introduced. Whether amounts adopted on transfer consequent upon the departmentalisation of Accounts from the AsG, offices have been shown under the respective Heads and year in which proforma transfer was adopted. As per para 5.13.1 of C.A.M. PAO should submit to the Principal Accounts Office, a copy of the ledger with only Minor head-wise figures. It should be seen whether such return has been sent to the Principal Accounts Office and as a result whether action has been taken by PAO on any communication from the Principal Accounts Office in this regard.

(b) Review of balances :

As per para 13.13.1 of CAM, at the close of financial year the P.A.O. should verify the balances under the various heads viz. Debt, Deposit & Remittance and ascertain wherever necessary whether the person or persons by whom the balance is owned or to whom it is due, admit its correctness and in cases of balances due to Government how far they are really recoverable. Further as per para 13.13.2 *ibid*, he should also to furnish annually a detailed

statement indicating against various Heads, the amount of unreconciled differences between broad-sheet and ledger and number of cases where acceptance of balances are awaited from the persons concerned to the Principal Accounts Office for the period ending 31st March of the preceding year. It should be seen whether such a statement has been forwarded by the PAO to the Principal Accounts Office.

- (viii) that the list of payments are being received along-with paid vouchers from the cheques drawing DDOs and agreed with the list received from the Bank and the balance of unpaid cheques worked out as in the case of cheques issued by the PAO.
- (ix) that the compilation sheet, classified abstract, consolidated abstract have been maintained properly. Vouchers of one month selected for detailed audit should be traced in the compilation sheet, classified abstract and detailed checking of monthly accounts should also be conducted.
- (x) that the grand total of amount of cheques delivered during the month has been posted under "8670 Cheques and Bills" and agreed with the total of monthly figures worked out as per cheques delivered statements.
- (xi) that the payments by bank drafts of outstation bills of Pay and Allowances are being booked under PAO-Suspense-PBO (Pay Bill Outstation) in March and are adjusted to final head in the next month by minus debit to PAO-Suspense-PBO.

5.13 ISSUANCE OF TOKENS

- (i) it should be seen that a brass token is issued in lieu of a bill received at the counter of the Pay and Accounts Office and Token No. is indicated on the bill.
- (ii) that the bill received at the counter has been handed over to the concerned section immediately so as to enable the concerned section to enter the bill in the diary on the same day.

- (iii) that the token register is being maintained in the prescribed form. Issue and receipt entries have been duly made and attested by the Pay and Accounts Officer.
- (iv) that a detailed census of tokens, has been conducted on 20th of each month after having enquired from each section regarding the outstanding bills on the date.

5.14 REGISTER OF VALUABLES

The following points should be kept in mind while scrutinising the register of valuables :—

- (i) that the register is being maintained in the prescribed form.
- (ii) that the Cheques/Demand Drafts received from other offices have been entered in the register on the same day of their receipt in the office.
- (iii) that the Cheques/Demand Drafts have been sent to bank immediately for credit to Government Account.
- (iv) that the register is closed fortnightly.
- (v) that the credit of valuable has been traced in the banks scrolls and particulars thereof noted in column 9 of the register.

On cases of time lag between receipt of Cheques/Drafts and their credit to Bank should be reported especially where the time lag is more and the amount is huge as it would affect the ways and means position of Government.

5.15 CHEQUE SECTION

In regard to cheques, it must be ensured in general that the procedure prescribed for regulation of cheque books and signing of cheques and their payment by the bank as per Civil Accounts

Manual is followed. The following points deserve particular mention in this regard while conducting internal audit :—

- (i) it must be ensured that the cheque books are obtained from India Security Press, Nasik and distributed to Pay and Accounts Office as per procedure prescribed by Ministry of Finance (Deptt. of Expenditure) O.M. No. F. 2(27)/76-Spl. Cell dated 14-5-1976.
- (ii) receipt and issue entries in the stock accounts of cheque books may be verified respectively with requisite invoices and cheque books actually consumed.
- (iii) the physical verification of cheque books should be conducted at requisite intervals.
- (iv) it must be seen that the correct forms of cheques have been used for all payments in respect of month selected for detailed audit.
- (v) it must be ensured that daily account of cheques used is prepared by cheque section and the same also incorporates the cheques cancelled or destroyed. The number of cheques issued must tally with the position shown in the register of daily payments.
- (vi) that necessary intimation to the paying branch of the bank regarding number of cheque books and the number of cheque forms used had been sent before a new chequebook is brought into use.
- (vii) that the physical verification of cheque books in the custody of PAO has been conducted by an independent officer twice a year i.e. in April and October.
- (viii) that the register of cheques drawn is being maintained properly and in the prescribed form.
- (ix) that a register of cheques delivered is being maintained properly and daily memorandum of payments made during the day is being prepared regularly and passed on to the compilation section on the next day.

- (x) that the number of cheques issued is noted on the bill and the bill is stamped "cheque drawn", and that the pay order has been cancelled by the PAO.
- (xi) that the paid cheques and vouchers are being recorded systematically, the paid cheques have been arranged in order of bank scrolls and are being kept by PAO in his safe custody.
- (xii) it should also be checked that the code number of bank is specifically superimposed on each leaf of the cheque book brought to use by the PAO/D.D.O. This should be superimposed on each leaf of cheque book immediately on its being brought to use.

5.16 COMPILATION AND SUBMISSION OF ACCOUNTS

It should further be ensured that the Appropriation Accounts, Finance Accounts and Statement of Central Transactions are prepared according to the procedure prescribed and are compiled in time. The accuracy in the preparation of these accounts should also be test checked with the S.C.T. and ledger maintained in the P.A.O.'s office.

5.17 COMPILATION OF BUDGET ESTIMATES (REVIEW)

It should also be checked that budget estimates for revenue receipts and public accounts are prepared in time by the Principal Accounts Office in accordance with the instructions received from Budget Division of the Department of Economic Affairs, Ministry of Finance. It should also be seen that explanation for variation between budget estimates, revised estimates and actuals are recorded.

5.18 ISSUE OF LETTER OF CREDIT TO BANKS FOR CHEQUE DRAWING DDOs.

It should also be seen that timely action is taken by the Pay and Accounts Office to issue the Letter of Credit in favour of the cheque-drawing DDO and it should further be verified that drawals by DDO do not exceed the limit. It should also be seen that the amount of letter of credit was properly determined.

CHAPTER VI

INTERNAL AUDIT OF THE MERGED DRAWING AND DISBURSING OFFICERS

6.1 In terms of instructions contained in Ministry of Finance, Department of Expenditure, O.M. No. 1(4)-E(Coord)/86 dated the 12th February, 1986, the Cash Branch and the Drawing and Disbursing Officers in the Ministries/Departments at the Secretariat level at Delhi/New Delhi with their existing staff have been made part and parcel of the Accounts Wing under the control of Chief Controller of Accounts/Controller of Accounts/Deputy Controller of Accounts, as the case may be, with effect from 1st April, 1986.

6.2 Under the revised arrangements, the records maintained by the Cash Branch and the Drawing and Disbursing Officer at Secretariat level have become basic accounts records thereby the need for maintenance of duplicate accounts records in the Pay & Accounts Offices has been eliminated. Accordingly, the following additional checks of the records maintained by the merged Drawing & Disbursing Officers should be conducted by the Internal Audit.

6.3 REGISTER SHOWING EXPENSES BY HEADS OF ACCOUNTS (GFR-9)

The register maintained in Cash Branch/by DDO serves the same purpose as the bill passing-cum-expenditure control register (CAM-9) in the PAOs, maintenance of which has been dispensed with. This register should be examined to check that the :—

- (a) amounts of appropriation have been correctly incorporated in the relevant columns of the register with reference to original budget allotment/supplementary grants/reappropriation orders, etc.
- (b) bill is signed by the DDO only after ensuring that the bill under signature is covered by budget provision.

- (c) adjustments (e.g. Supply Department debits etc.) communicated by the PAO are kept separately in a file and noted in the relevant columns of the register.
- (d) column 'total' for the month in the register is worked out and compared with the expenditure figures for the month as well as progressive figures communicated by PAO and discrepancies reconciled.
- (e) balance of appropriation is worked out at the end of each month.

6.4 PAY BILL REGISTER (GAR-17)

This register has under the revised scheme, become a basic accounting record for the maintenance of GPF account HBA/MCA Account etc. of the Government servant. As such the maintenance of the register in correct and complete form assumes great importance. The following checks should be exercised while scrutinizing the register at the time of internal audit :—

6.4.1 GENERAL

Check whether the :

- (a) register is neatly bound, page numbered and an index is prepared.
- (b) entries made are in ink and each entry noted therein (including corrections and alteration) are attested by checking official (Section Officer/DDO) in the columns provided in the register.

6.4.2 CHECKS AGAINST SANCTIONED STRENGTH AND ENTITLEMENT

- (a) Trace the entry in the PBR for the selected month with reference to the paid vouchers completely.
- (b) Check that drawal of special pay is supported by relevant Government orders.
- (c) Numerical check of drawals against sanctioned number of posts may be made with reference to

records available in DDO's office for the selected month.

- (d) In respect of Group 'A' officers, the entries in the PBR relating to salaries of selected month are to be checked with reference to the entries in the Service Book, increment register etc. Cases of pay fixation to be test checked.

6.4.3 CHECKS OF GENERAL PROVIDENT FUND ACCOUNT

(i) Check that :

- (a) account number has been allotted and noted prominently in the PBR and a reference to old GPF A/c number is also given.
- (b) the receipt of nomination has been noted in PBR.
- (c) the extracts of account for the years 1983-84 to 1985-86 along with the nomination have been received from the PAO and properly filed in a separate file.
- (d) the closing balance as on 31-3-86 has been noted in the relevant column of the PBR for 1986-87 and duly attested by the DDO.

Note : The checks mentioned at (c) and (d) above will apply *mutatis mutandis* in respect of transfers from other DDOs/PAO intimated by PAO at a later stage. Ensure that the subscriptions and repayment of temporary advance relating to current part of the year are posted against the month to which credit relates and not included in the opening balance.

- (e) the monthly reconciliation sheet prescribed is prepared every month and the discrepancies, if any, settled in the following month at the latest.
- (f) in the case of closure of accounts, either due to retirement/transfer etc. the words 'Accounts closed in ' along with reason for closing has been written prominently in red ink over the initials of the DDO, and the amount paid posted in the

withdrawal column of abstract. In this connection, C.S. 85 to para 6.8.1 of CA Manual may be referred to.

- (g) the 'missing' credits/debits intimated by the PAO are separately noted and the matter pursued with the PAO regularly and such of the missing credits transferred subsequently by the PAO are posted correctly in PBR with suitable remarks.
 - (h) the recoveries/withdrawals for the year are totalled up and posted in the abstract portion of GPF at the close of the year.
 - (i) (a) the interest/bonus has been credited to the subscriber's account during the year and the total figures thereof intimated to the PAO for carrying out the account adjustment.
 - (b) the interest calculation sheets are available and initialled by the person who calculated and by the person who checked them.
 - (j) the closing balances have been worked out correctly and carried forward in the PBR for the next year and the opening entries attested by the DDO.
 - (k) Annual Reconciliation of balances has been prepared and entries therein are posted correctly from the entries in the PBR; totals under different columns are worked out correctly and agreement of balances effected as per the instructions given therein.
 - (l) the annual accounts statement to the subscribers are issued by 15th May.
 - (m) acknowledgements of subscribers towards final payment of GPF are being watched by the DDO. This is necessary as the register of final payment cases (CAM-51) has been dispensed with.
- (ii) CHECK IN DETAIL.
- (a) all the final payment cases exceeding Rs. 25,000 and 25% of the rest; and

- (b) the debit postings for the whole year with reference to vouchers (to be conducted in cases where annual reconciliation of balances has not been completed).

(iii) Review the accounts generally to see that :

- (a) there has been no omission to issue supplementary refund orders in case where credits have been undischursed.
- (b) there has been no omission to transfer the balances of the subscribers who have quit service to "Unclaimed Deposits" by appropriate notice to PAO.
- (c) individual subscriptions are within the maximum and the minimum limits.

6.4.4 CHECKS RELATING TO LONG-TERM ADVANCES ACCOUNT :—

- (i) The checks listed at Sl. No. (e) (g) (h) (i) (k) of (i) above relating to GPF account may be applied *mutatis mutandis*.
- (ii) In addition, the following checks should be applied, viz., whether :—
 - (a) the balances outstanding at the close of the year have been intimated to the loanees and their acknowledgements received and noted and action, if necessary, taken to get the discrepancies reconciled.
 - (b) the insurance of vehicle/house has been done and/or renewed periodically and necessary note kept in the register.
 - (c) the mortgage deed has been received and kept in the custody of the Head of Department.
 - (d) the interest calculated, on completion of repayment of principal is correct with reference to the detailed working sheets.

- (e) action has been initiated for reconciliation of differences between the balances noted in the PBR (based on the figures shown in the LPC) and the amount actually intimated by the PAO in the case of persons coming from other DDO/Deptt.

6.4.5 CHECKS RELATING TO RECOVERY OF FOREIGN SERVICE CONTRIBUTIONS

Check whether :—

- (a) the essential particulars for calculation and recovery of L. S./pension contributions (e.g. date of commencement of F.S./Period of F.S., Leave availed during foreign service/Joining time are noted in PBR.
- (b) the contributions determined are correct based on the data available in the PBR, Service Book etc.
- (c) the recoveries relating to pension and L.S. contribution and payment of L. S. if any, are posted in the PBR based on the intimation received from PAO and the outstanding recovery worked out at the close of each year.
- (d) the penal interest has been levied in case of non-recovery/belated receipt of contributions from the foreign employer/individual.
- (e) on completion of foreign service, the service book is sent to the PAO for making entries relating to receipt of contribution.

6.5 CHECKS RELATING TO CONTINGENT EXPENDITURE

As registers of special charges and periodical charges as also the submission of copies of sanction have been dispensed with the following checks should be exercised during internal audit :

- (a) Check the system in vogue for safeguarding that payments against sanction of special charges are not in excess of the amount sanctioned and that the same sanction is not acted upon twice over. In cases where no separate registers are maintained, check

whether the bills drawn against the sanctions are noted in the original copy of the sanction over the initials of DDO and part payment, in cases where the expenditure is incurred in instalments, this does not exceed the sanctioned amount.

- (b) Check that payments of rent, telephone and other periodical charges which are sanctioned by an authority higher than the DDO are posted in the relevant register and safeguards against the payments (for a particular period) being made twice over, exist.
- (c) In respect of vouchers for selected month, check up the payments completely with reference to the original sanctions and registers.
- (d) Check whether the DDO has submitted the detailed contingent bills in respect of all the amounts drawn on abstract bills. Cases of non-submission should be specifically commented in the report.

6.6 REGISTER OF CHEQUES DELIVERED

- (i) Check whether the account of cheque forms (CAM-2) has been maintained and periodically submitted to the PAO.
- (ii) Check that the DDO's acknowledgement has been obtained in all cases and the cheques have been delivered on the same day.
- (iii) Trace the cheque number, date and amount given in the selected months vouchers with the entries in the Register of Cheques delivered.

CHAPTER VII

INSPECTION BY CGA's OFFICE —ITS EXTENT AND SCOPE

7.1 In order to maintain the requisite technical standards of accounting in the Departmentalised Accounting Offices, the Controller General of Accounts has the powers to inspect the offices, with a view to ensuring that accounts are maintained accurately, comprehensively and in a correct manner. Besides, a selective inspection of Public Sector Bank Branches handling Government transactions is also conducted in order to ensure that the relevant procedure is followed by them.

7.2 For this purpose, an Inspection Wing has been set up in the office of the Controller General of Accounts. While conducting the inspection, the Inspection team should also ensure that the data and information supplied by these offices/bank branches is compiled correctly and submitted to the concerned authorities in time.

INSPECTION OF DEPARTMENTALISED ACCOUNTING UNITS

7.3 A statutory audit is being conducted by the Comptroller and Auditor General of India and the systems of Internal audit is also in vogue in the Ministries/Departments, the inspection conducted by the Controller General of Accounts is in the nature of technical-cum-administrative inspection of the Principal Accounts Offices/Pay & Accounts Offices as well as offices of Drawing & Disbursing Officer with Cheque Drawing powers.

7.4 In a Principal Accounts Office, the inspection should specifically cover the following main items of work :—

- (i) Compilation & consolidation of accounts, maintenance of ledgers & broadsheets for debt, deposit and remittance heads, etc.
- (ii) Appropriation Accounts/Finance Accounts, Review of balances and amounts outstanding in suspense heads.

- (iii) Settlement of inter-Govt. and inter-Ministry transactions.
- (iv) Arrangements for custody of records.
- (v) Bank reconciliation.
- (vi) Internal audit arrangement for the inspection of field PAOs to ascertain how far the internal audit organisation is effective. Review of internal audit reports and action taken on the points brought out therein.
- (vii) Review of reports of statutory audit and action taken thereon.
- (viii) Arrangements for over-all supervision of work in the field Pay & Accounting Units including arrangements for obtaining arrears report e.g. monthly state of work reports, their scrutiny of pursuance etc.; and
- (ix) any other matters which the Inspecting Officer may decide to take up after consulting CCA/FA of the concerned Ministry.

7.5 During the inspection of field PAO's or the DDO with cheque drawing powers, the procedure for checking and payment of claims (including records for pre-check and post check of payment claims), their accounting and reconciliation with the department, should be scrutinised to see that these are adequate and not defective in any respect and that there are no un-due delays in the disposal of personal claims including pension and provident fund claims. In addition, the items mentioned in para (a) above, should be scrutinised with a view to ensure that all accounting records are maintained properly and in accordance with the prescribed procedure and that the outstanding balance under DDS&R heads especially under suspense heads are kept under close watch.

7.6 The inspecting officer should especially review the cash book of the office under inspection together with vouchers, receipts etc. with special reference to the requirement of Rule 13 and 92 of Central Government Account (Receipts & Payments) Rules, 1983. For this purpose, he should inter-alia examine the adequacy of the system of control of the office inspected over the custody, disbursement and accounting of cash. The arrangements made for the custody of cash and for prompt and correct disposal

of undisbursed cash and of sums otherwise payable into bank should be scrutinised to see that the procedures followed are adequate and not defective in any manner.

INSPECTION OF BANK BRANCHES

7.7 The inspection of Public Sector Banks is confined mainly to Link/Focal Point/Nodal Main branches. Generally, the Govt. work handled by the authorised Public Sector Banks is as under :—

- (i) Payment of Pensions;
- (ii) Collection of direct/indirect taxes on behalf of *CBDT & CBEC*;
- iii) Expenditure payments and receipts of misc. receipts of Govt.
- (iv) Receipts & Payments of Public Provident Fund; and
- (v) Receipts & Payments under Compulsory deposits (Income-Tax Payers) Scheme.

7.8 Procedures and guidelines for handling Govt. transactions by banks are mainly issued by the Reserve Bank of India, who have, in addition, devised job cards and check-lists. Instructions under the "Scheme for Payment of Central (Civil) Pensions by Public Sector Banks" issued by the Controller General of Accounts are also relevant.

7.9 During inspection of Public Sector Bank Branches, compliance with the instructions relating to Government transactions dealt with by them as issued by the Govt. or R.B.I. in this behalf, should be watched & verified.

7.10 Inspection of Public Sector Banks is also arranged by various offices of R.B.I. A consolidated feedback on the findings of various Inspection Teams is received in CGA's office at quarterly intervals, starting from the quarter ending June, 1988.

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