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Guidelines for ranking of Functions/activities of Central Autonomous Bodies in terms of risks for identifying topics for Performance Audit

1. Introduction.

In order to identify potential topics for Performance Audit, various functions /activities /projects /schemes of each Central Autonomous Body are to be ranked in terms of “Audit Risk”. It is therefore important to identify and analyze the risks associated with various functions/activities/projects/schemes of an entity. While analyzing the risks, the following questions should be kept in mind:

- What can go wrong?
- What is the probability of it going wrong?
- What are the consequences?

The risk has to be analyzed keeping in view some parameters as elaborated in Para 2.15 to 2.18 of the “Performance Auditing Guidelines” and the various functions/activities/projects/schemes of the entity are to be ranked (Low/Medium/High) accordingly. Parameters are defined in the “Performance Auditing Guidelines”, based on which ranking criteria have been determined. During the course of collection of information for the purpose of ranking of various functions/activities/projects/schemes of an entity, Audit Party may feel free to indicate additional parameters along with ranking criteria which are also essential for selection of topic for “Performance Audit”.

2. Ranking Criteria.

The parameters under which risk assessment would have to be done along with the ranking criteria are highlighted below.

Parameters	Brief Description	Rank	Ranking Criteria
Financial Materiality	Financial materiality of a topic is the amount of expenditure/revenue, assets/liabilities involved in the entity/project/activity under review	High (3 points)	(i) Either total expenditure (both revenue and capital) or income (including grant) involved in the function /activity /project /scheme during last three years as a percentage of total expenditure (both revenue and capital) or income (including grant) of the entity as a whole during last three years: Above 60%. Or (ii) Percentage of utilization of grant received for the function /activity/ project/ scheme during last three years: Below 40%. Or (iii) Total expenditure on establishment (including salary) in the function /activity /project /scheme during last three years as a percentage of total expenditure (both revenue and capital) of the function /activity /project /scheme during last three years: - Less than 25%.

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		Medium (2 points)	(i) Either total expenditure (both revenue and capital) or income (including grant) involved in the function /activity /project /scheme during last three years as a percentage of total expenditure (both revenue and capital) or income (including grant) of the entity as a whole during last three years: Between 40% and 60%. Or (ii) Percentage of utilization of grant received for the function /activity/ project/ scheme during last three years: Between 40% and 60%. Or (iii) Total expenditure on establishment (including salary) in the function /activity /project /scheme during last three years as a percentage of total expenditure (both revenue and capital) of the function /activity /project /scheme during last three years: - Between 25% and 50%.
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		Low (1 point) (i) Either total expenditure (both revenue and capital) or income (including grant) involved in the activity during last three years as a percentage of total expenditure (both revenue and capital) or income (including grant) of the entity as a whole during last three years: Below 40%. Or (ii) Percentage of utilization of grant received for the function /activity/ project/ scheme during last three years: Above 60%. Or (ii) Total expenditure on establishment (including salary) in the function /activity /project /scheme during last three years as a percentage of total expenditure (both revenue and capital) of the function /activity /project /scheme during last three years: - Above 50%.	
Significance	Significance of a topic is its importance in the context of the organization, programme or subject.	High (3 points) If the function /activity project /scheme it addresses is central to the functioning of the entity.	
		Medium (2 points) If the function /activity project /scheme it addresses is not central but relevant to the functioning of the entity.	
		Low (1 point) If the function /activity project /scheme it addresses is not peripheral to central to the functioning of the entity.	

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Visibility	Visibility of a subject is an assessment of the interest it generates in the general public and of the legislature. While no uniform index of visibility can be prescribed, legislative debates, media reports/articles and subjects of workshops and seminars could serve as an index of visibility	High (3 points)	(i) If during last three years the function /activity /project /scheme has generated interests in the general public and of the legislature. Or (ii) If during last three years the function /activity /project /scheme has been an issue of legislative debates, media reports/articles.
		Medium (2 points)	(i) If during last three years the function /activity /project /scheme has generated a little interest in the general public and of the legislature. Or (ii) If during last three years the function /activity /project /scheme was disclosed in the media reports/articles Or (iii) If during last three years the function /activity /project /scheme was the subject of workshops and seminars.

		Low (1 point) (i) If during last three years the function /activity /project /scheme has generated no interest in the general public and of the legislature Or (ii) If during last three years the function /activity /project /scheme was not disclosed in the media reports/articles Or (iii) If during last three years the function /activity /project /scheme was not the subject of workshops and seminars.
Coverage	Coverage refers not only to previous Audit coverage but also to other independent reviews of the activity. Such reviews may have been conducted by internal audit, external	High (3 points) (i) If the audit has been requested by the legislature or by the government. Or (ii) If the previous performance audit indicated that such a follow-up should occur. Or

	internal audit, external consultants or government committees or the activity could have been subject to programme evaluation	Medium (2 points) (i) If no action has been taken by the Entity against the audit observations/recommendations highlighted in the previous Performance Audit/Review Report. Or (ii) If no action has been taken by the Entity against the audit observations/recommendations highlighted in the previous Reviews conducted by internal audit, external consultants or government committees. Or (iii) If there has been a substantial review of the function /activity /project /scheme before the past two years. Or (iv) If no substantial review of the function /activity /project /scheme has been conducted in the past.	
		Low (1 point) If there has been a substantial review of the function /activity /project /scheme within the past two years.	

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Past Audit Findings(Including SAR Comments)	Past audit findings could provide an index of significance, materiality and risk of the subjects.	High (3 points)	(i) If more than 2 PDPs were identified during last three years. Or (ii) Last SAR comments were of major nature such as (a) Substantial amount of earmarked fund not utilized or diverted, (b) Plan grant diverted to meet non-plan expenditure, (c) Asset Register not maintained, (d) Physical verification of Assets / Stores not conducted for years together, (e) Investment pattern prescribed by Government of India not followed, (f) Bank Reconciliation Statement not prepared.(g) Non-existence of Internal Audit Control.
		Medium (2 points)	(i) If at least 1 PDP could be identified during last three years. Or (ii) Last SAR comments were of minor nature such as (a) Mis-classification of expenditure, (b) Advance payment made but booked as expenditure, (c) Irregularities in charging depreciation, (d) Non-introduction/non-compliance of Common Format.

		Low (1 point)	(i) If no PDP could be identified during last three years. Or (ii) Last SAR comments were of routine nature such as (a) Accounts Ledger not maintained properly, (b) Discloser not given in "Notes on Accounts" (c) Reference of Schedules not indicated in Accounts, (d) Schedules are not prepared in prescribed form, (e) Non-plan grant diverted to meet Plan expenditure
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3. Overall Grading Procedure.

Each function / activity is to be overall graded (High / Medium / Low) as under:

Procedure	High	Medium	Low
Total points of five parameters divided by five.	> 2.5 points.	Between 1.5 and 2.5 points.	< 1.5 points.

4. Format for Overall Grading.

Overall grading of various functions /activities /projects /schemes of each Central Autonomous Body need to be furnished with Draft SAR in the following proformae along with all supporting documents.

Functions /Activities /Projects /Schemes	Risk Parameters					Overall Grade
	Financial materiality	Significance	Visibility	Coverage	Past audit findings (including SAR comments)	
	L/M/H	L/M/H	L/M/H	L/M/H	L/M/H	
1	2	3	4	5	6	7

5. Functional Areas/Main Activities of Central ABs.

Major Functions /activities of some Autonomous Bodies are highlighted below. Grading of each function /activity /project /scheme would have to be done on the basis of Criteria highlighted above. However, during the course of audit of financial statement, Audit Party may indicate other essential functions /activities, if any, along with their grading. Audit Party must select at least five Projects /Schemes in an entity according to

high financial involvement, importance, social impact and poor progress in execution, if any, and grade the each Project /Scheme.

1. Indian Institute Of Technology, Kharagpur.

Functional Areas/Main Activities:

- (I) Academic Activities.
- (II) Research and Development Activities conducted by different departments / centers of the Institute.
- (III) Sponsored Research and Industrial Consultancy Activities.
- (IV) Continuing Education Programme Activity.
- (V) Campus Development Activities.
- (VI) Management of Halls Of Residence.

2. National Council Of Science Museums.

Functional Areas/Main Activities:

- (I) Exhibit Development Activity.
- (II) Interactive Science Education Activity.
- (III) Mobile Science Exhibition Activity.
- (IV) Creative Ability Activity.
- (V) Research and Training Activity.
- (VI) Setting up of Sub-Regional Science Centers Activity.

3. Raja Rammohun Roy Library Foundation.

Functional Areas/Main Activities:

- (I) To promote and develop all types of Public Library under the schemes of Matching Assistance.
- (II) To promote and develop all types of Public Library under the schemes of Non-Matching Assistance.
- (III) Other Promotional Activities.

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4. Chittaranjan National Cancer Institute.

Functional Areas/Main Activities:

- (I) Research Activity.
- (II) Patient Care Service Activities through CNCI Hospital.

5. Board Of Practical Training.

Functional Areas/Main Activities:

- (I) To assess Apprenticeship Training facilities in respect of establishments under various sectors, notify them to engage stipulated number of apprentices, Oversee engagement of apprentices, monitor and review the workings of the Apprenticeship Scheme (both quantitatively and qualitatively) and to reimburse the Government's share of stipend at the rate of 50% on minimum prescribed rate claimed by the Training Establishment after registration of contract of Apprenticeship.
- (II) To conduct the establishment survey, which gathers stock of engineering manpower information in the Eastern Region under the National Technical Manpower Information System (NTMIS).

6. National Institute Of Technical Training And Research (earlier TTTI).

Functional Areas/Main Activities:

- (I) Education and Training Activities.
- (II) Curriculum Development Activities.
- (III) Instructional Material Development Activity.
- (IV) Community and Development and Rural Technology Activity.
- (V) Research and Development Activity.
- (VI) Extension Services and Consultancies Activity.
- (VII) Other Activity i.e. implementation of sponsored schemes.
- (VIII) Extension Centre Activity.

7. **National Institute For The Orthopaedically Handicapped.**

Functional Areas/Main Activities:

- (I) To provide services in the area of rehabilitation, restorative surgery, aids and appliances, vocational training to the persons with disability.
- (II) Manpower development to serve the orthopaedically handicapped population.
- (III) To conduct the sponsor research in aspects related to the rehabilitation of the orthopaedically handicapped.
- (IV) To standardize aids and appliances and to promote their manufacture and distribution.
- (V) To provide consultancy services to the State Government and voluntary agencies.
- (VI) To serve as an apex documentation and information center on disability and rehabilitation.

8. **National Institute Of Homeopathy.**

Functional Areas/Main Activities:

- (I) Academic Activities.
- (II) Medical Care Activities.
- (III) Research Activities.
- (IV) Maintenance of Medical Herb Garden.

9. **Indian Institute Of Management.**

Functional Areas/Main Activities:

- (I) Academic Activities.
- (II) Training Activities.
- (III) Research Activities.
- (IV) Setting up of Center of Advanced Management providing opportunities for innovative research and promoting the development of indigenous literature on management.

- (V) Consultancy Activity.

10. Himalayan Mountaineering Institute.

Functional Areas/Main Activities:

- (I) To impart theoretical and practical training in the Mountaineering and Rock Climbing techniques.
- (II) To awaken interest in mountaineering and love for mountains.
- (III) To encourage and provide training in winter sports.

11. Jute Manufactures Development Council.

Functional Areas/Main Activities:

- (I) Implementation of External Market Assistance (EMA) Scheme.
- (II) Participation in Foreign Fairs.
- (III) Organisation of Domestic Exhibition.
- (IV) Holding of Workshops, Seminars & Conferences and visit of Delegations.
- (V) Collaborative Promotional Activities.
- (VI) Support for Resource Development in the Jute Sector.

12. Victoria Memorial.

Functional Areas/Main Activities:

- (I) Maintenance and conservation of Memorial building.
- (II) Maintenance and conservation of garden.
- (III) Maintenance and conservation of the art objects and their proper display in the galleries.

13. Indian Museum.

Functional Areas/Main Activities:

- (I) Acquisition, documentation and preservation of art objects.
- (II) Strengthening of security system.
- (III) Cultural activities.

14. Asiatic Society.

Functional Areas/Main Activities:

- (I) Library Services.
- (II) Collection of priceless manuscripts, letters work of arts, coins etc.
- (III) Cataloguing of manuscripts.
- (IV) Conservation and preservation of the library and museum materials.
- (V) Academic/research Activities.

15. Visva Bharati.

Functional Areas/Main Activities:

- (I) Academic Activities.
- (II) Research Activities.
- (III) Campus Maintenance and Development Activities.
- (IV) Library Services.
- (V) Cultural Activities.

16. Calcutta Dock Labour Board.

Functional Areas/Main Activities:

- (I) Administer of the Calcutta Dock Workers (Regulation of Employment) Scheme, 1970; (General Scheme).
- (II) Administer of the Calcutta Dock Clerical & Supervisory Workers (Regulation of Employment) Scheme, 1970.

17. National Institute Of Technology (Formerly R.E. College, Durgapur)

Functional Areas/Main Activities:

- (I) Academic Activity.
- (II) Research and Development Activities.
- (III) Consultancy and Testing Services.

(IV) Campus Development.

18. Eastern Zonal Cultural Centre.

Functional Areas/Main Activities:

(I) Preservation and Promotion of the Rich and Varied Culture of India.

19. Kolkata Port Trust.

Functional Areas/Main Activities:

(I) Cargo Handling and Storage Activities.

(II) Port and Dock activities.

(III) Railway Activities.

(IV) Estate Management Activities.

Activities of Board Of Practical Training (Eastern Region), Kolkata :

Activity-I. To assess Apprenticeship Training facilities in respect of establishments under various sectors, notify them to engage stipulated number of apprentices, Oversee engagement of apprentices, monitor and review the workings of the Apprenticeship Scheme (both quantitatively and qualitatively) and to reimburse the Government's share of stipend at the rate of 50% on minimum prescribed rate claimed by the Training Establishment after registration of contract of Apprenticeship.

Activity-II. To conduct the establishment survey, which gathers stock of engineering manpower information in the Eastern Region under the National Technical Manpower Information System (NTMIS).

Financial Data of two activities of BOPT:

(Rs. In lakh)				
Sl. No.	Particulars	Activity-I	Activity-II	Entity as a whole
1	Total Expenditure during last three years.	869.90	32.65	902.55
2	Grant Received (including OB as on 1.4.2001) during last three years.	981.06	35.67	
3	Grant Utilised during last three years.	869.90	32.65	
4	Expenditure on Establishment (as per I&E A/C) during last three years.	216.94	25.51	

Ranking Details of five parameters of two activities of BOPT

Rank:

1. HIGH ■
2. MEDIUM ■
3. LOW ■

1. Financial Materiality.

Sl. No.	Ranking Criteria	Activity-I	Activity-II
1	Total expenditure (both revenue and capital) involved in the function /activity /project /scheme during last three years as a percentage of total expenditure (both revenue and capital) of the entity as a whole during last three years	96%	4%
2	Percentage of utilization of grant received for the function /activity/ project/ scheme during last three years		92%
3	Total expenditure on establishment (including salary) in the function /activity /project /scheme during last three years as a percentage of total expenditure (both revenue and capital) of the function /activity /project /scheme during last three years		78%

2. Significance.

Activity	Significance
Activity-I	Activity is central to the functioning of BOPT.
Activity-II	Activity is relevant to the functioning of BOPT.

3. Visibility.

Activity	Visibility
Activity-I	19 Seminars/Workshops/Group Meetings were organized by the BOPT during last three years.
Activity-II	No Seminar/Workshop/Group Meeting was organized by the BOPT during last three years.

4. Coverage.

Activity	Coverage
Activity-I	NIL
Activity-II	NIL

5. Past Audit Findings (Including SAR Comments).

Activity	No of PDP case during last three years	Last SAR Comments
Activity-I	NIL	(i) Physical verification of Assets not done for 2003-04.(ii) Depreciation on assets pertaining to the years prior to 2002-03 has not been provided.(iii) Diversion of plan fund to non-plan expenditure.(iv) The BOPT has neither any Internal Audit Manual nor any Internal Audit System.(v) Schedules are not prepared in prescribed form.(vi) Retirement benefits not determined in accrual basis i.e. non-compliance to Common Format.
Activity-II	NIL	(i) Diversion of non-plan fund to plan expenditure.(ii) The BOPT has neither any Internal Audit Manual nor any Internal Audit System.(iii) Schedules are not prepared in prescribed form.

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Overall Grading

Activities	Risk Parameters					Overall Grade
	Financial materiality	Significance	Visibility	Coverage	Past audit findings (including SAR comments)L/M/H	
	L/M/H	L/M/H	L/M/H	L/M/H		
1	2	3	4	5	6	7
Activity-I	H(3points)	H(3points)	M(2 points)	M(2 points)	H(3points)	H
Activity-II	L(1 point)	M(2 points)	L(1 point)	M(2 points)	L(1 point)	L

Note. Overall Grading Procedure.

Each function / activity has been overall graded (**High / Medium / Low**) as under:

Procedure	High	Medium	Low
Total points of five parameters divided by five.	> 2.5 points.	Between 1.5 and 2.5 points.	< 1.5 points.
Activity-I -----(13/5)	2.6		
Activity-II----- (8/5)			1.4