Circular

OFFICE OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA
10, Bahadur Shah Zafar Marg, New Delhi

No. GA-/GA Coord./2026
Date: .10.2026

Government Accounts Wing

Subject: Revised guidelines and Standard Operating Procedures (SOPs) relating to Treasury Inspection in the Offices of the Accountants General (A&E) – reg.

Reference:

(i) C&AG's circular No. 513/O&M/8-91 dated 13.02.1991;

(ii) Headquarters' letter No. 892/F.N.184/GA Coord/2017 dated 03.10.2018 (revised framework of the Annual Review Report on the Working of Treasuries);

(iii) Guidelines on Treasury Inspection in the e-environment, October 2020.

The undersigned is directed to state that Treasury Inspection of District Treasuries, Sub-Treasuries, other Treasury Units and Pay and Accounts Offices (PAOs) is conducted by the Offices of the Accountants General (A&E) under Section 18(1)(a) of the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Act, 1971. In view of the automation of Treasury operations, implementation of Integrated Financial Management Systems (IFMS), increasing use of data analytics and the need for coordination between the Accounts and Audit Wings, a Committee was constituted by the Deputy Comptroller and Auditor General (Government Accounts) and Chairperson, GASAB to review the prevailing Treasury Inspection practices in the Offices of the Accountants General (A&E).

The Committee has submitted its Report covering the future framework for Treasury Inspection, use of data analytics, revision of the Annual Review Report on the Working of Treasuries, delineation between Treasury Inspection and regular Audit, and the Standard Operating Procedure for dealing with Treasury Inspection findings, including significant and large-value findings.

Accordingly, based on the recommendations of the Committee and its vetting at GA wing , the following guidelines and Standard Operating Procedures shall be followed by all Offices of the Principal Accountants General/Accountants General (A&E), in conjunction with the existing provisions of the MSO (A&E) and the instructions issued by Headquarters from time to time.

These instructions supplement the guidelines issued in October 2018 and October 2020 and, to the extent of any inconsistency, shall prevail.

A. **Objectives of Treasury Inspection**

Treasury Inspection is an accounts assurance function of the Offices of the Accountants General (A&E). Its primary objectives shall continue to be (a) to seek assurance that the

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information rendered to the Accountant General (A&E) through the IFMS of the State, by the Accounts Rendering Units, Banks and Challans, is complete, correct, change-managed and secure, and (b) to facilitate the presentation of true and fair accounts of the State. Treasury Inspection shall accordingly extend beyond the detection of individual irregularities to an assessment of the controls at the Treasury that bear upon the quality of Accounts.

B. **Revised Treasury Inspection Framework**

The Offices of the Principal Accountants General/Accountants General (A&E) shall pursue with the respective State Governments for obtaining read-only access to the relevant IFMS modules, raw data and system-generated reports required for Treasury Inspection and accounting assurance. Access so granted shall be utilised strictly within the extent and for the purpose for which it has been provided.

Depending upon the level of access to IFMS, the following approach shall be adopted. The two categories represent the ends of a spectrum, Category 1 being the desired standard towards which all Offices shall endeavour to progress. The categorisation shall be reviewed by Headquarters as the availability of data, including pension records, improves.

a. **Category 1 – Offices having adequate IFMS access (login-based access to most IFMS reports):** Digital Desk Review and data analytics shall be conducted at the State, Treasury or transaction-universe level to identify anomalies, red flags and systemic control weaknesses. Field visits shall not be the norm and shall be undertaken, with the approval of the Group Officer/HOD, primarily for ground-truthing of identified anomalies and verification of physical records, registers, strong rooms, cash balances, valuables, non-digitised PPOs and other matters that cannot be verified digitally. Inspection plans shall be guided by the results of analytics of the preceding quarters, and visits shall be planned so as to cover the other aspects requiring physical verification.

b. **Reporting under Category 1:** Common deviations emerging from State-level analysis shall be communicated through quarterly Inspection Reports to the Finance Secretary and the Director of Treasuries, or through Special Reports/Appreciation Notes/Management Letters. Where such observations disclose significant deficiencies in specific Treasuries, Sub-Treasuries or other units, they shall also be issued to the units concerned through Inspection Reports so that they are subject to proper follow-up. As the Treasury Codes/Rules of the States generally envisage receipt of Inspection Reports from the Accountant General, no amendment to codal provisions is considered necessary.

c. **Category 2 – Offices having limited IFMS access (temporary logins or reports furnished by Treasury staff):** A hybrid approach comprising Desk Review and field inspection shall be followed. The annual inspection plan shall be prepared on the basis of risk assessment, considering parameters such as total expenditure processed through the Treasury, quantum of pension disbursements, unadjusted AC bills, Reserve Bank discrepancies, number of PD/Deposit Accounts operated and capital expenditure. Treasuries shall accordingly be classified as high, medium or low risk, and the frequency of inspection shall be decided with reference to risk and the available human resources.

d. **Headquarters-based Desk Review under Category 2:** A headquarters team may be deployed exclusively for Desk Review through data analysis. The relevant reports may be called for from the Treasuries ordinarily 10 to 15 days prior to the date of physical inspection, and the inputs from the Desk Review shall be passed on to the

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field party so that the field inspection is focused. The extent of Desk Review shall depend on the level of access to IFMS.

e. As far as practicable, one cycle of inspection of all Treasuries and Sub-Treasuries in a State should be completed within three to five years, subject to risk assessment and availability of resources.

f. Offices in States where IFMS has not been rolled out or is not fully functional shall follow the hybrid approach under Category 2 to the extent practicable.

g. As a pension case cannot be examined completely through digital records, the physical PPO, including the Disburser's half recording events such as revision, enhancement, reduction, arrears and anomalous payments, shall continue to be verified at the Treasury wherever PPOs are not available in electronic form.

h. The instructions contained in Headquarters' letter No. 352-AC I/SP.III/50-99 dated 28.07.1999 regarding annual plans, periodicity of inspections, composition of inspection parties and related matters shall continue to apply to the extent not modified by these instructions.

i. Irrespective of the level of maturity of IFMS in the State and the availability of IFMS data with the AG Office, all Offices of the Principal Accountants General/Accountants General (A&E) shall enhance the use of data analytics on Voucher Level Computerisation (VLC) data for deriving better insights for Treasury Inspection. In particular, states carrying out primary compilation may utilise VLC data more effectively for this purpose. By ensuring examination of the entire population of transactions, as against manual sample-based checks, data analytics serves as a force multiplier for Treasury Inspection teams and reduces the risk of irregularities remaining undetected. The Haryana Accounts Monitoring & Intelligence System (HAMIS), developed by the Office of the Principal Accountant General (A&E), Haryana, which applies analytic procedures to VLC and IFMS data, may be referred to as an illustration.

C. **Use of Data Analytics, Artificial Intelligence and Data Protection**

Data analytics tools shall be used judiciously for examining accounts, pension and related data and identifying deviations from Government accounting rules or other anomalies. Such use shall conform to the Information Technology Act, 2000, the Digital Personal Data Protection Act, 2023 (DPDP Act), the Data Lifecycle Management Policy of IA&AD (Version 2.0, April 2026) and other applicable instructions. Unauthorised extraction, web-scraping or use of data beyond the access granted by the State Government shall not be undertaken, as such practices have been clarified by the Information Systems Wing vide letter No. 1395-ISW/03-2026 Vol 2 dated 01.07.2026 to be unethical and a breach of trust.

Data analytics shall, wherever feasible, cover the entire population of transactions. Anomalies and exceptions identified through analytics or Desk Review shall be treated as leads and, wherever necessary, validated through ground-truthing before being reported as findings of significance. Technologies such as Optical Character Recognition (OCR) may be utilised to convert supporting documents and system-generated documents into analysable formats.

The data processed during Treasury Inspection includes personal data of employees, pensioners, beneficiaries and vendors. The Offices shall accordingly observe the principles of purpose limitation, data minimisation, lawful processing, security and confidentiality, protection of personal data, accountability and breach response prescribed in the Data

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Lifecycle Management Policy. Personal identifiers such as Aadhaar and bank account numbers shall be masked while reporting observations. Requests to the State Government for data or access shall clearly state the purpose for which the data is sought, for example, the mandate for validation of vouchers in the case of e-vouchers, or verification that pensionary benefits are paid in accordance with the authorisations issued by the A&E Office in the case of pension data. The detailed procedure is at Annexure II.

The question of permissible use of Artificial Intelligence (AI) in Treasury Inspection is under examination in Headquarters and specific instructions will be issued separately. Pending such instructions, AI-based tools may be used only as an aid, their outputs shall be independently verified by the inspection party, and no personal or sensitive data shall be uploaded to any external or public AI platform.

Offices which have developed in-house analytical tools or dashboards (such as SARATHI in West Bengal and HAMIS in Haryana) are requested to share details thereof with GA Wing, so that good practices may be disseminated, subject to data security requirements.

D. **Annual Review Report on the Working of Treasuries**

The Annual Review Report on the Working of Treasuries shall continue to be prepared in accordance with paragraph 20.17 of the MSO (A&E), Volume I and the guidelines issued by Headquarters in October 2018. The existing four-part structure shall broadly continue, namely, Part I – Introduction; Part II – Defects and deficiencies noticed during compilation and verification of Accounts; Part III – Major observations raised during Inspection of Treasuries; and Part IV – Deficiencies in IT Controls and IT Security. Greater use of simple graphs, diagrams and data visualisation shall be made, and digital dissemination through dashboards may also be explored.

Part I shall, in addition to the organisational set-up and staff position of the Treasuries, indicate the status of implementation of IFMS modules and their linkage with DDOs, Banks and the AG Office, and the details and nature of access to IFMS provided by the State Government to the AG Office for compilation of Accounts and for entitlement functions such as GPF and pensions.

The Report shall assess whether automation has merely converted manual processes into electronic form or has introduced effective preventive, detective and corrective controls in all significant digital systems and modules affecting Treasury operations, including IFMS, SNA-SPARSH/Just in Time (JIT), PFMS interfaces and connected banking platforms.

In Part IV, IT or application-control deficiencies shall be included only where they have a direct bearing on the completeness, accuracy, integrity and reliability of Government transactions and Accounts and present a reasonably foreseeable and material risk to them. Actual exploitation of the weakness or occurrence of financial loss shall not be a prerequisite for reporting. Illustratively, creation or modification of a beneficiary without the prescribed authorisation, bypassing of maker-checker controls, or incorrect classification of GPF transactions between two classes of employees accounted under distinct Heads of Account shall be reported. Generic vulnerabilities relating to passwords, antivirus, network security, server hardening, backup infrastructure, source code, system architecture or IT governance shall ordinarily be dealt with through IT Audit or other appropriate mechanisms, unless their impact on financial transactions or accounting information is established, having regard to their relevance to Treasury functions, potential impact on Government Accounts and the availability of compensating controls.

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E. **Treasury Inspection and Regular Audit**

With the implementation of IFMS across States, Treasury operations have become largely system-driven, and Treasury Inspection has evolved from a transaction-oriented examination towards an assessment of Treasury controls, accounting processes and system validations supporting Government Accounts. This has resulted in certain areas where Treasury Inspection and regular Audit examine similar subject matters from different institutional perspectives. A clear delineation of their respective domains has therefore been considered necessary, so as to preserve their distinct mandates, avoid duplication of effort and utilise resources optimally.

Accordingly, Treasury Inspection and regular Audit shall be treated as distinct but complementary functions. Treasury Inspection shall primarily focus on accounting assurance, Treasury controls, accounting processes, fund-management arrangements, IFMS validations and systemic weaknesses affecting the preparation and integrity of Government Accounts, whereas regular Audit provides independent assurance on compliance with laws, rules and regulations, propriety of expenditure, financial regularity, performance and financial accountability.

For this purpose, the subjects ordinarily examined in Treasury Inspection have been grouped into three categories, namely, (i) Government Accounting and Accounting Assurance, (ii) Treasury Fund Management and Cash Management Controls, and (iii) Treasury Operations, IFMS Controls and Digital Governance. The illustrative delineation of eighteen inspection areas vis-à-vis matters ordinarily beyond Treasury Inspection is at Annexure I. The Annexure is illustrative and not exhaustive, and inclusion or omission of any subject shall not be construed as defining or limiting the scope of Treasury Inspection. By way of illustration, in the case of an Abstract Contingent (AC) Bill, Treasury Inspection shall examine processing in accordance with Treasury procedures and IFMS validations, correct classification and monitoring of pending Detailed Contingent (DC) Bills, whereas Audit shall examine the justification, admissibility and utilisation of the expenditure.

Matters relating exclusively to scheme implementation, works expenditure, establishment matters or admissibility and propriety of individual payments shall ordinarily not be deliberately pursued through Treasury Inspection unless they also involve accounting misclassification, failure of Treasury controls or another matter directly affecting Government Accounts. If any such matter nevertheless comes to notice, it may be shared with the concerned Audit Office as an input, along with supporting documents and data, with the approval of the Group Officer.

Significant systemic issues noticed during Audit having implications for Treasury processes, accounting arrangements or internal controls may likewise be shared with the Treasury Inspection Wing for refinement of inspection methodology, risk assessment and planning. The Accountant General (A&E) may adapt the methodology and coverage of Treasury Inspection to address emerging risks, technological developments and changes in Treasury functions, provided that such adaptation remains consistent with these principles.

F. **Standard Operating Procedure for Treasury Inspection Findings**

The following procedure shall be followed for reporting, monitoring and settlement of Treasury Inspection findings:

i. All observations arising from field inspection, Desk Review or data analysis shall be issued through Inspection Reports to the Director of Treasuries and the concerned Treasury/Sub-Treasury through OIOS.

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ii. Treasury Inspection Reports shall be issued within one month of completion of the inspection, with the approval of the Group Officer.

iii. Observations arising from centralised examination of IFMS controls shall be communicated, along with other control-related observations raised at the Treasuries during the year, to the State Finance Secretary through a Special Report or Appreciation Note. Such centralised examination shall be undertaken periodically, at a frequency not exceeding once a year, as determined by Headquarters, and may also cover aspects of the nature of IT audit.

iv. Pending observations shall be monitored through OIOS until settlement. As a general rule, an observation may be settled with the approval of the Senior Accounts Officer in charge of the controlling section/Treasury Miscellaneous Section. Settlement may be based on adequately supported replies from the Treasury/Sub-Treasury citing the action taken to rectify the deviation, verification during subsequent inspections, or joint sittings with the concerned authorities held at regular intervals to resolve long-pending observations.

v. Observations pending for five years or more shall be reviewed periodically by the Office. A decision not to pursue an observation further shall require the approval of the Group Officer. Any issue which continues to remain relevant shall be removed from the old Inspection Report and recorded in a separate database for fresh examination during the next inspection.

vi. A database shall be maintained for observations forwarded to the Audit Office, Finance Department or any other authority. Such observations shall not be settled without ascertaining the status of action taken by the authority concerned, and the approval of the Group Officer/HOD shall be obtained for their settlement.

vii. No Treasury Inspection observation shall be discussed or shared with the media at any stage. No finding shall be communicated to any investigating agency of the State or Union Government without prior approval of Headquarters.

G. **Sharing of Findings with Audit**

In terms of paragraph 3.16 of the Financial Attest Audit Guidelines, a quarterly report containing the results of checks, significant findings and other important issues emerging from Treasury Inspection shall be forwarded by the AG (A&E) to the concerned Principal Auditor/Local Audit Office in the format at Annexure III. However, matters involving suspected fraud, misappropriation or serious financial irregularity may be shared immediately, at the discretion of the Accountant General (A&E), without waiting for the quarterly report.

Observations shared with Audit shall be supported by relevant documents and data and shall have the approval of the Group Officer. It is not mandatory that every observation be communicated to Audit; the decision shall be taken on an assessment of materiality, the probability of a similar issue existing in more than one Treasury and the nature of the observation. An issue warranting in-depth analysis, with a probability of fraud or scam, shall necessarily be shared. Forwarding an observation to Audit shall not, by itself, constitute grounds for settlement of the corresponding Treasury Inspection paragraph, and an establishment-related observation pointing to a control risk affecting Accounts shall also be pursued through the Inspection Report of the Treasury concerned. Observations relating to utilisation of scheme funds or to works shall not be included in Treasury Inspection Reports unless an issue such as accounting misclassification is also involved.

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H. **Significant and Large-Value Findings**

The following procedure shall be followed where suspected financial fraud or serious financial irregularity comes to notice during Treasury Inspection, including Desk Review and data analysis. Treasury Inspection is neither an investigative agency nor a substitute for statutory audit, and the emphasis shall be on identification of the underlying failure of internal controls rather than merely on the financial loss involved. A step-wise SOP with the flow of action is at Annexure IV.

i. Where suspected fraud, misappropriation, duplicate payment, fraudulent beneficiary mapping, unauthorised diversion of funds, manipulation of Treasury controls or master data, circumvention of IFMS validations, failure of maker-checker or authorisation controls or another serious financial irregularity comes to notice, the Inspection Party shall identify the underlying control failure, record it in the Treasury Inspection Report and maintain adequate supporting documentation.

ii. Every such case shall invariably be incorporated in the Treasury Inspection Report and, wherever appropriate, in the Annual Review Report. The observation shall present the issue primarily as a control failure and shall bring out the nature of the irregularity, the Treasury/PAO process or IFMS control that failed, the manner in which the weakness facilitated the irregularity, the estimated financial exposure, the departments, schemes or transactions potentially affected, the possibility of occurrence in other Treasuries/PAOs, the immediate impact on Government Accounts and recommendations for strengthening preventive and detective controls, as per the format at Annexure V.

iii. The Inspection Party shall maintain documentation comprising relevant bills, vouchers and Treasury records, IFMS transaction details, beneficiary particulars, system screenshots and audit trails, relevant provisions of Acts, Rules, Government Orders and Treasury Codes, working papers and an analysis of whether the weakness is isolated or systemic. The objective of documentation is not to conclusively establish fraud but to demonstrate the existence of a significant control deficiency warranting further examination.

iv. Before escalation, the Accountant General (A&E) shall assess the significance of the matter on a risk-based approach, with reference to its financial implication, seriousness, evidence of deliberate circumvention of controls, systemic impact, novelty of the modus operandi, likelihood of recurrence, wider applicability across Treasuries/PAOs or States and public-interest and reputational implications. These criteria are illustrative and shall not restrict the discretion of the Accountant General, and a case satisfying one or more of them may be treated as significant.

v. No significant irregularity shall ordinarily be taken up with the State Finance Department merely on the basis of data analysis or Desk Review. Where, in view of the gravity or urgency of the matter, it is considered necessary to do so, the communication shall carry a specific rider that the observations are preliminary findings of data analytics and are subject to ground-truthing and validation, including audit by the concerned AG (Audit). Further communication with the State Government shall be made only after proper validation, ground-truthing, examination of applicable rules and collection of adequate evidence, and after complying with any checks prescribed by Headquarters.

vi. Where the nature or gravity of the irregularity so warrants, the Accountant General (A&E) may bring the matter separately to the notice of the State Finance Department

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through a demi-official letter enclosing the Special Report and copies of supporting documents, with a request for confidentiality where warranted. The matter shall also, in due course, be included in the Inspection Report of the Treasury concerned. The communication shall recommend, as appropriate, immediate corrective action, temporary safeguards, rectification of system deficiencies, strengthening of IFMS validations and internal controls, review of similar transactions across departments and State-wide examination of comparable cases, and shall seek mitigation of financial risk and strengthening of internal controls rather than determination of responsibility.

vii. A copy of the observation in every significant case shall be forwarded to the concerned Local Audit Office as advance intimation for taking cognizance of the matter. This shall be without prejudice to the independent assessment to be undertaken by Audit.

viii. Every material case reported to the State Government and forwarded to the concerned Audit Office shall be communicated simultaneously to GA Wing, along with a covering letter explaining the issue and the reasons why the exceptional procedure has been adopted.

ix. GA Wing shall examine the matter having regard to the magnitude of the financial implication, nature of the control failure, systemic implications, novelty of the modus operandi, likelihood of recurrence and applicability to other States or Audit Regions, and may, where considered appropriate, refer it to the concerned Audit Region. The Audit Region may advise the Local Audit Office to undertake detailed transaction audit, verification of facts, assessment and quantification of financial loss, examination of similar transactions across departments and Treasuries, identification of systemic weaknesses and consideration of inclusion in appropriate audit products. A case not considered significant shall be pursued through Treasury Inspection alone.

x. Where, after detailed audit examination, a Treasury Inspection observation results in a significant audit finding, it may be included in the State Finances Audit Report (SFAR) or any other suitable audit product, with an appropriate acknowledgement, where considered appropriate, that the issue was initially identified through Treasury Inspection, while preserving the independence and ownership of the audit finding.

xi. Where GA Wing considers that the irregularity represents a generic IFMS vulnerability, a recurring fraud pattern or any other control weakness of wider applicability, it may disseminate the matter to other Regions/Offices for examination as to whether similar vulnerabilities exist within their jurisdictions.

xii. The outcome of the examination by the Local Audit Office shall, wherever practicable, be communicated to the Accountant General (A&E), indicating whether the observation was substantiated, the nature and extent of financial loss, if any, corrective action initiated by the Government, system improvements implemented, audit observations or paragraphs issued and the reasons where the observation was not pursued further. Such feedback shall be utilised for refinement of inspection methodology, identification of emerging fraud patterns, risk-based planning, inspection checklists and assessment of IFMS controls.

xiii. Treasury Inspection shall function as an early-warning mechanism for identifying weaknesses in Treasury controls, financial-management practices and the IFMS

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control environment. It shall not assume the role of an investigating agency or substitute the statutory responsibilities of Audit.

I. **Implementation**

All PAGs/AGs (A&E) are requested to bring these guidelines to the notice of all concerned officers and officials and to suitably revise their Treasury Inspection plans, checklists, Desk Review processes, reporting arrangements and monitoring mechanisms. These instructions shall come into effect from the date of issue of this circular, and Annexures I to V shall form part of these instructions. The Knowledge and Capacity Building Wing and the Regional Capacity Building and Knowledge Institutes are requested to include Computer Assisted Audit Techniques and data analytics relevant to Treasury Inspection in their training programmes. Difficulties, if any, in implementation may be brought to the notice of GA Wing.

This issues with the approval of DAI(GA & GASAB).

(Atoorva Sinha)
Director General (Government Accounts-II)

To:

1. All Principal Accountants General/Accountants General (A&E), PAG/AG Arunachal Pradesh & Mizoram and Sr.DAG (A&E) Sikkim.
2. All Principal Accountants General/Accountants General (Audit) – for information and necessary action in respect of the paragraphs relating to sharing of findings with Audit
3. PPG Wing, Headquarters
4. Inspection and Peer Review Wing, Headquarters
5. Knowledge and Capacity Building Wing, Headquarters
6. Regional Capacity Building and Knowledge Institutes, Prayagraj, Shillong and Chennai
7. All Report States Wings
8. Examination Wing, Headquarters
9. Information Systems Wing, Headquarters
10. All concerned officers in GA Wing

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ANNEXURE I

Indicative delineation of Treasury Inspection and regular Audit

(Illustrative and not exhaustive. To be read with the guiding principles in these instructions.)

Sl. No.	Inspection area	Within scope of Treasury Inspection	Matters ordinarily beyond Treasury Inspection
A. Government Accounting and Accounting Assurance			
1	Monthly Accounts and quality of Accounts	Completeness, accuracy, timeliness and quality of Monthly Accounts, supporting schedules, reconciliation statements and accounting records rendered to the Accountant General.	Departmental financial reporting, fiscal analysis and audit of annual financial statements.
2	Classification of transactions	Correctness of booking under prescribed Heads of Account; systemic classification deficiencies affecting Government Accounts.	Admissibility, necessity or propriety of expenditure, except where it directly affects accounting classification.
3	Government receipts	Treasury accounting of receipts, challan processing, reconciliation and accounting controls governing receipts.	Assessment, levy, collection and realisation of revenue; Receipt Audit.
4	Pension payments	Treasury processing, accounting and first disbursement of pensionary benefits, with related Treasury controls and IFMS validations.	Pension authorisation, revision, entitlement and administration; establishment audit of pension payments.
5	Salary payments	Treasury controls over salary payments, including duplicate payments, accounting of recoveries, beneficiary mapping and IFMS validations.	Pay fixation, service matters, admissibility of allowances and establishment administration.
6	Stamp Accounts, strong room and Treasury valuables	Custody, accounting, stock verification and reconciliation of valuables in Treasury custody.	Revenue administration; Information System Audit of e-Stamp systems.
B. Treasury Fund Management and Cash Management Controls			
7	Budgetary controls	Treasury enforcement of budget controls, IFMS validations and accounting of budget-related transactions.	Budget formulation, allocation of funds and fiscal policy decisions.
8	Personal Ledger/Personal Deposit (PD) Accounts	Operation, accounting, reconciliation and Treasury controls governing PD Accounts.	Utilisation of funds, departmental expenditure and programme implementation.
9	Deposit Accounts	Accounting, reconciliation and maintenance of Deposit Heads and Public Account transactions.	Ownership of deposits, settlement of claims and departmental utilisation of deposits.
10	Banking arrangements	Reconciliation with accredited banks and RBI, accounting of remittances and Treasury-bank interface controls.	Internal banking operations, banking regulations and contractual arrangements with banks.
11	Cash management	Treasury cash balances, cash books, remittances and internal controls over Government cash in Treasury custody.	State cash management policy, borrowing and investment decisions.
C. Treasury Operations, IFMS Controls and Digital Governance			

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Sl. No.	Inspection area	Within scope of Treasury Inspection	Matters ordinarily beyond Treasury Inspection
12	IFMS governance and system controls	Business rules, maker-checker controls, authorisation workflows, audit trails and system validations supporting Treasury operations.	Information System Audit, source code review, cybersecurity and technical infrastructure.
13	Electronic payments and beneficiary management	Controls over electronic payments, beneficiary master data, payment failures and duplicate-payment prevention.	Verification of beneficiary identity, forensic examination and investigation.
14	Statutory recoveries and deductions	Accounting, remittance and Treasury controls relating to statutory recoveries and deductions processed through the Treasury.	Interpretation of tax laws, determination of statutory liability and departmental compliance.
15	DDO management and Treasury controls	Registration, mapping and activation of DDOs; user access management, maker-checker controls and digital authorisations; compliance with system validations during bill submission and processing; bill approval workflows; exception reports on DDO operations.	Administrative functioning and internal controls within DDO offices; departmental compliance not involving Treasury operations; performance or efficiency of departmental activities.
16	Systemic financial risks	Recurring control failures, duplicate payments, abnormal transaction patterns and systemic weaknesses affecting Government Accounts.	Investigation of fraud, quantification of loss, disciplinary proceedings and prosecution.
17	Management of Abstract Contingent (AC) Bills	Drawal and accounting of AC Bills; monitoring of outstanding AC Bills and timely submission of DC Bills; compliance with Treasury procedures; system controls and exception reports; age-wise analysis of pending DC Bills and follow-up by the Treasury.	Verification of actual utilisation of funds; admissibility and propriety of expenditure; examination of supporting vouchers and certification of expenditure.
18	Data analytics and risk-based inspection	Use of data analytics and exception reporting to identify high-risk transactions, emerging trends and control deficiencies.	Forensic analytics undertaken for vigilance, investigation or law-enforcement purposes.

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ANNEXURE II

Standard Operating Procedure for requisition, handling and protection of data used in Treasury Inspection

(Based on the Data Lifecycle Management Policy of IA&AD, Version 2.0, April 2026, the DPDP Act, 2023 and the Information Technology Act, 2000.)

Step	Action to be taken	Responsibility
1. Requisition	Identify the minimum data/reports required for the inspection (data minimisation). Address the request to the State Government/Finance Department/Director of Treasuries, citing the mandate of the Department and stating the specific purpose, for example, validation of e-vouchers, or verification that pensionary benefits are paid in accordance with authorisations issued by the A&E Office. The request shall be authorised by the AG/PAG.	Inspection/Data Analytics team; AG/PAG
2. Receipt and classification	All data entering or leaving the Office shall be routed through the Data Protection Officer, who shall sign off the classification of the data and ensure entries in the prescribed registers (T1 to T8).	Data Protection Officer (Group Officer)
3. Custody	Secure storage with controlled access; monitoring of access logs; no copies beyond those authorised.	Data Steward (Senior AO)
4. Processing	Use of data only for the purpose for which it was sought and within the access granted. No web-scraping or extraction by unauthorised means. Use of AI tools only as per the instructions on AI in this circular.	Inspection/Audit team
5. Reporting	Mask Aadhaar numbers, bank account numbers and other personal identifiers in Inspection Reports, Special Reports and all other communications; reproduce only the minimum personal data necessary.	Inspection Party; Group Officer
6. Return and disposal	Return source data to the Data Protection Officer on completion of the inspection; disposal by the Data Steward as per the Policy; update registers.	Inspection team; DPO; Data Steward
7. Breach response	Any suspected breach shall be immediately reported through the DPO to the AG/PAG, who is the first to be notified. The five-phase protocol (Detection, Containment, Escalation, Notification, Recovery) shall be followed. Sensitive breaches shall be escalated to the Chief Technology Officer within 12 hours; the Department is required to notify affected individuals without delay and report to the Data Protection Board within 72 hours of first suspecting a personal data breach.	All officials; DPO; AG/PAG

Note: In case of any inconsistency between this SOP and the Data Lifecycle Management Policy of IA&AD, the Policy shall prevail.

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ANNEXURE III

Format of Quarterly Report on the results of Treasury Inspection to be sent to the Principal Auditor/Local Audit Office

State: _____ Quarter ended: _____ Office of the AG (A&E): _____

Sl. No.	Treasury/ PAO/ unit	Nature of observation and IR/OIOS reference	Amount involved (₹)	Control weakness identified	Isolated/ systemic	Documents/ data enclosed	Remarks
Part A – Summary of inspection activity during the quarter (units inspected, Desk Reviews/data analytics conducted, Inspection Reports issued, paragraphs raised and settled)							
Part B – Significant findings and other important issues emerging from Treasury Inspection							
Part C – Matters shared immediately during the quarter without waiting for this Report (suspected fraud, misappropriation or serious irregularity) – date and authority							
Part D – Systemic issues/IFMS control weaknesses relevant to audit planning; feedback received from Audit during the quarter							

Note: Approved by the Group Officer. Personal identifiers shall be masked. This format is indicative and may be adapted by Headquarters.

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ANNEXURE IV

Standard Operating Procedure for dealing with suspected financial fraud and serious financial irregularities (significant and large-value findings)

Stage	Action	Responsibility
1. Detection	Identify indicators such as suspected fraudulent payments, multiple payments against the same liability, unauthorised beneficiary substitution, manipulation of master data, circumvention of IFMS validations, failure of maker-checker controls or weak Treasury oversight. Examine the matter immediately from the perspective of control effectiveness.	Inspection Party
2. Documentation	Collect and retain bills, vouchers, IFMS transaction details, beneficiary particulars, screenshots and audit trails, applicable rules and working papers; analyse whether the weakness is isolated or systemic.	Inspection Party; Senior AO
3. Recording	Incorporate the case in the Treasury Inspection Report and, wherever appropriate, in the Annual Review Report, as a control failure, in the format at Annexure V.	Inspection Party; Group Officer
4. Significance assessment	Assess on a risk-based approach: magnitude, seriousness, deliberate circumvention, systemic impact, novelty of modus operandi, likelihood of recurrence, wider applicability, public interest and reputational risk.	AG/PAG (A&E)
5. Validation	Complete ground-truthing, examination of rules and collection of adequate evidence, and comply with any checks prescribed by Headquarters. No communication to the Finance Department on the basis of data analysis or Desk Review alone shall ordinarily be made; where it is considered necessary, the communication shall carry a rider that the observations are preliminary and subject to ground-truthing and validation, including by the concerned AG (Audit).	Inspection Party; AG/PAG (A&E)
6. Reporting to State Government	Demi-official letter to the State Finance Department enclosing the Special Report and supporting documents, recommending corrective action, safeguards and system rectification; request for confidentiality where warranted.	AG/PAG (A&E)
7. Communication to Audit	Copy to the concerned Local Audit Office as advance intimation; simultaneous copy to GA Wing with a covering letter explaining the issue and the reasons for adopting the exceptional procedure.	AG/PAG (A&E)
8. Examination by GA Wing	Examine the case. If significant, refer to the concerned Audit Region; if not significant, the observation shall be pursued through Treasury Inspection alone.	GA Wing
9. Audit examination	Audit Region advises the Local Audit Office to undertake detailed transaction audit, verification of facts, quantification of loss, examination of similar transactions and identification of systemic weaknesses.	Audit Region; Local Audit Office
10. Audit reporting	Inclusion, where appropriate, in the State Finances Audit Report or another suitable audit product, with acknowledgement of Treasury Inspection as the source of risk identification.	Audit Wing
11. Dissemination of systemic risks	Dissemination of generic IFMS vulnerabilities and recurring fraud patterns to other Regions/Offices for examination.	GA Wing
12. Feedback	Communication of the outcome of audit examination to the AG (A&E); use of the feedback to refine inspection methodology, risk-based planning, checklists and IFMS control assessment.	Audit Region/Local Audit Office; AG (A&E)
13. Monitoring	Pursue the paragraph through the Inspection Report in OIOS. The paragraph shall not be settled merely because it has been forwarded to Audit or the Finance Department; settlement requires the approval of the Group Officer/HOD, and the database of forwarded observations shall be updated.	A&E Office
Restrictions	No finding shall be shared with the media. No finding shall be communicated to any investigating agency without prior approval of Headquarters.	All concerned

Note: The communication to the Government shall seek mitigation of financial risk and strengthening of internal controls, and not determination of responsibility.

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ANNEXURE V

Format of Special Report on significant findings

Sl. No.	Particulars	Details to be furnished
1	Name of the Treasury/PAO/unit, State, period covered and IR/OIOS reference	
2	Nature of the irregularity (brief factual description)	
3	Treasury/PAO process or IFMS control that failed	
4	Manner in which the weakness facilitated the irregularity	
5	Estimated financial exposure (₹) and basis of estimation	
6	Departments, schemes or transactions potentially affected	
7	Possibility of occurrence in other Treasuries/PAOs/States; whether isolated or systemic	
8	Immediate impact on Government Accounts	
9	Recommendations for strengthening preventive and detective controls	
10	Validation and ground-truthing carried out; list of supporting documents enclosed	
11	Significance criteria satisfied (para iv of the procedure for Significant and Large-Value Findings)	
12	Communications made/proposed (State Finance Department, Local Audit Office, GA Wing) with dates; whether confidentiality has been requested	
13	Approval of the Group Officer/Accountant General (A&E)	

Note: Personal identifiers shall be masked. The financial implication shall be presented as a consequence of the underlying control weakness and not as the principal focus of reporting.

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